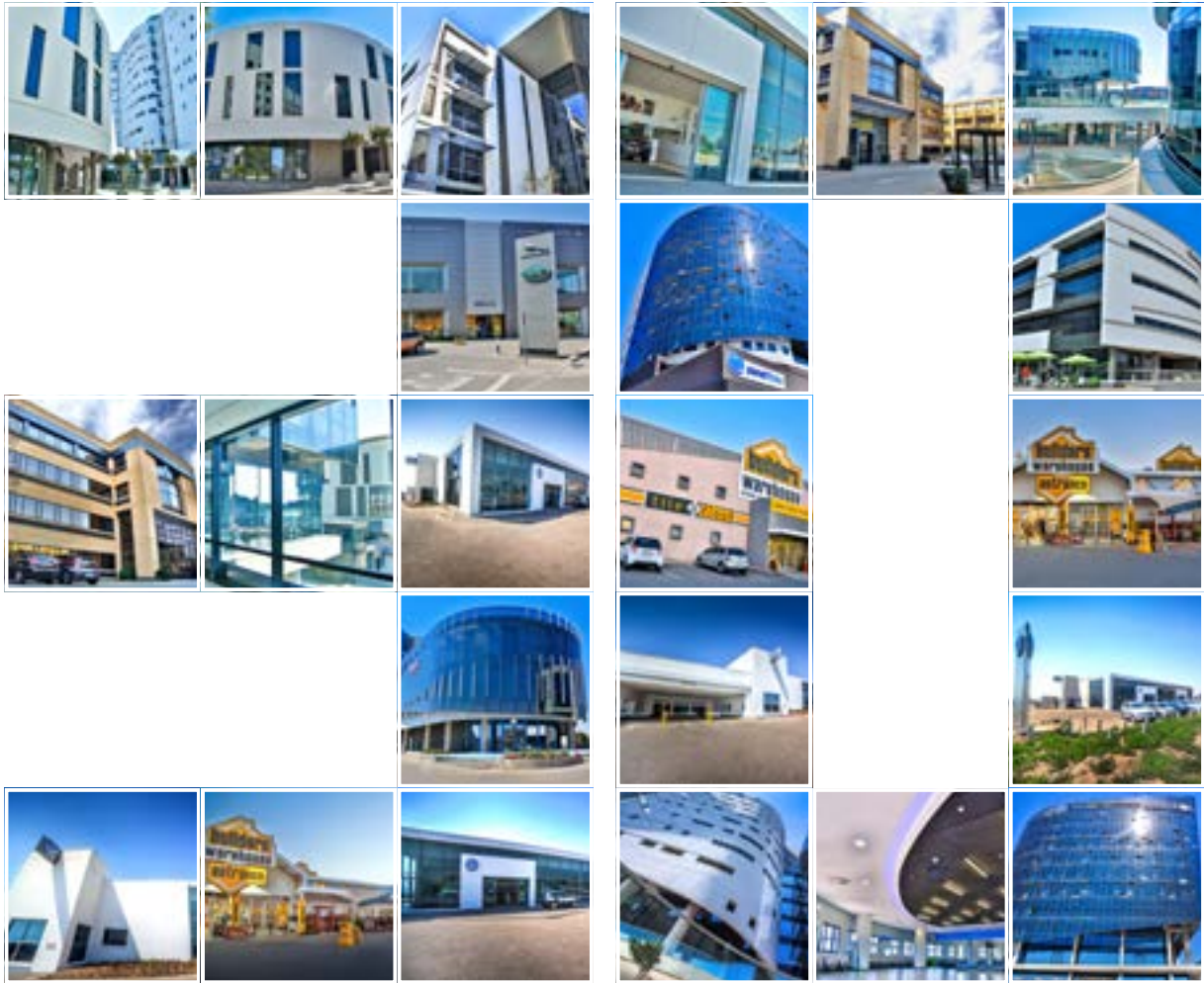




YEARS



PUTPROP
Limited

2018 INTEGRATED
ANNUAL REPORT

GOVERNANCE



SUSTAINABILITY



**ANNUAL FINANCIAL
STATEMENTS**



**SHAREHOLDERS
INFORMATION**



Navigation Key:



Section Colours



More info on:
www.putprop.co.za



QR Code with extra
information



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Glossary

"All Share"	The JSE All Share Index
"Annual Financial Statements"	Group and Company Annual Financial Statements
"B-BBEE"	Broad-based black economic empowerment
"Companies Act"	Companies Act, No. 71 of 2008, as amended
"EXCO"	Executive Committee
"GLA"	Gross lettable area
"IASB"	International Accounting Standards Board
"IFRS"	International Financial Reporting Standards
"IT"	Information Technology
"JSE"	JSE Limited
"JSE Listings Requirements"	Listings Requirements of the JSE Limited
"King IV"	King Report on Corporate Governance for South Africa 2016™, Copyright and trademarks are owned by the Institute of Directors in Southern Africa NPC and all of its rights are reserved.
"KPI"	Key performance indicator
"Rode"	Rode's Report on the South African Property Market
"SAPOA"	South African Property Owners Association
"SAICA"	South African Institute of Chartered Accountants
"the Board"	The Board of Directors of Putprop Limited
"ZAR"	South African Rand
"AR"	Audit and Risk Committee
"RNHR"	Remuneration Nomination and Human Resources Committee
"SE"	Social and Ethics Committee





ABOUT PUTPROP

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About Putprop

Vision & Values

In the pursuit of the Group's strategy and objectives, **our CORE values determine our every action:**

Honesty, integrity and transparency drive our every operation.

We are client focused

All stakeholders are seen as equal and valued assets.

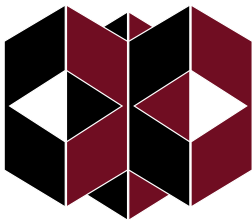
Our vision for our stakeholders is to deliver consistent short and long-term returns, long-term value with stability and low risk.

We take responsibility and ownership for all of our actions.

We are a people driven organisation reflected in our performance and results.

Responsible corporate citizenship in respect of our social and environmental challenges.

Corporate Profile



Putprop is a property investment company listed on the main board of the JSE Limited under the real estate sector.

Listed on 4 July 1988. (JSE code: PPR)

(Registration number: 1988/001085/06)

Invests in industrial, commercial and retail properties, deriving its income from contracted rentals.

Putprop's primary objective is to build a quality portfolio with strong contractual cash flows resulting in long-term sustainability and capital appreciation.

Growth will come from strategic investments, focused on industrial, retail and commercial opportunities where yields are enhancing in the medium and long-term.

In addition, "Greenfield" development opportunities will be considered with suitable Joint Venture partners in order to increase portfolio values and unlock future value for shareholders.





Strategic Positioning and Business Model



Continue to Broaden our geographic exposure into all of the provinces



Achieve and maintain balanced exposures to the industrial, retail and commercial segments of the property sector



Focus aggressively on the Group's vacancy profile and manage the lease expiry profile of the portfolio



Maintain a strong statement of financial position with limited application and exposure to gearing to the extent that such gearing enhances returns



Optimise our profit before tax and growth in shareholder distributions



Contract with financially sound tenants on a long lease basis in order to ensure sustainable income streams

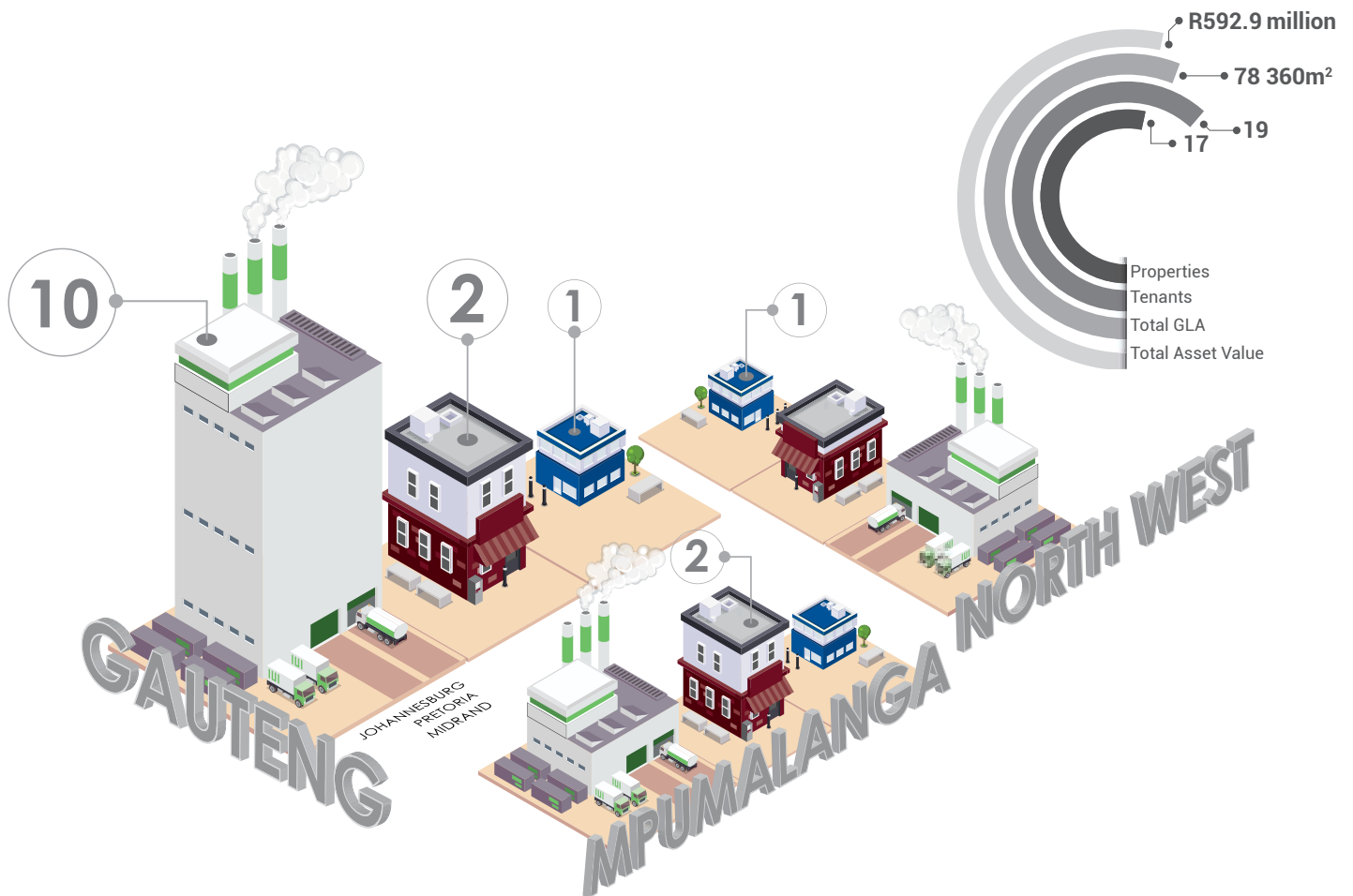


Broaden our contractual tenant base so as to minimise risk of overdependence on a limited number of tenants



Preserve and enhance our properties with a structured on-going maintenance and upgrading programme

Footprint



Financial Highlights

- 1 Property rental revenue up 9% to R62.4 million despite loss of revenue due to early exiting of certain tenants
- 2 Net Asset value of 1 260 cents per share
- 3 Annual escalation on contractual rental income maintained at 7.67% in difficult rental market
- 4 Market value per m² of property portfolio up 6% to R7 438 per m²

Operational Highlights

- 1 Dividend distribution of 13 cents per share, the 30th consecutive year of a dividend pay-out to shareholders
- 2 Further reduction in concentration of contractual rental income from a single tenant from 48% to 38%
- 3 Rezoning of three of our properties situated in rural areas in preparation of redevelopment into retail shopping centres
- 4 Future minimum lease rentals between two to five years increased by 9% to R172 million



Integrated Reporting - Our Approach

SCOPE AND BOUNDARY

Putprop is pleased to present its eighth integrated report to stakeholders for the financial year ended 30 June 2018.

Our integrated report aims to give all of our stakeholders insight into the business model, performance, governance framework, strategies, risks, and opportunities that were utilised by the Group in its operations the year ended 30 June 2018.

Our objective in reporting, is to provide stakeholders with a balanced view of our activities, to describe and explain management's decision-making processes as well as judgements made in these processes. This report should assist all our stakeholders to assess Putprop's ability to create and sustain value. The Group believes that by following this approach it is able to provide all stakeholders with information that is relevant to their investment decisions and interactions with the Group. Our approach is to report on the significant issues arising within the business along with material matters identified through engagement with our stakeholders. This Report covers the Group's business activities, sustainability and financial performance of its subsidiaries from 1 July 2017 to 30 June 2018 as well as those entities over whose operating policies and practices Putprop exercises some control or influence. In addition, material post reporting date events are disclosed for the sake of completeness.

Putprop continues to assess its reporting standards on an annual basis and where necessary, will continue to make additional disclosures in areas that may improve its reporting standards.

CORE BUSINESS ACTIVITY

Putprop's business comprises a single business activity, that of a Listed Property Fund. The Group owns and manages a portfolio of commercial, retail and industrial properties, with a fairly balanced spread over each of these segments. Management's approach to the operational control of these assets is that of internal micro management for those assets situated in the Gauteng Province and the appointment of asset managers for those properties in other provinces.

FINANCIAL AND SUSTAINABILITY OBJECTIVES

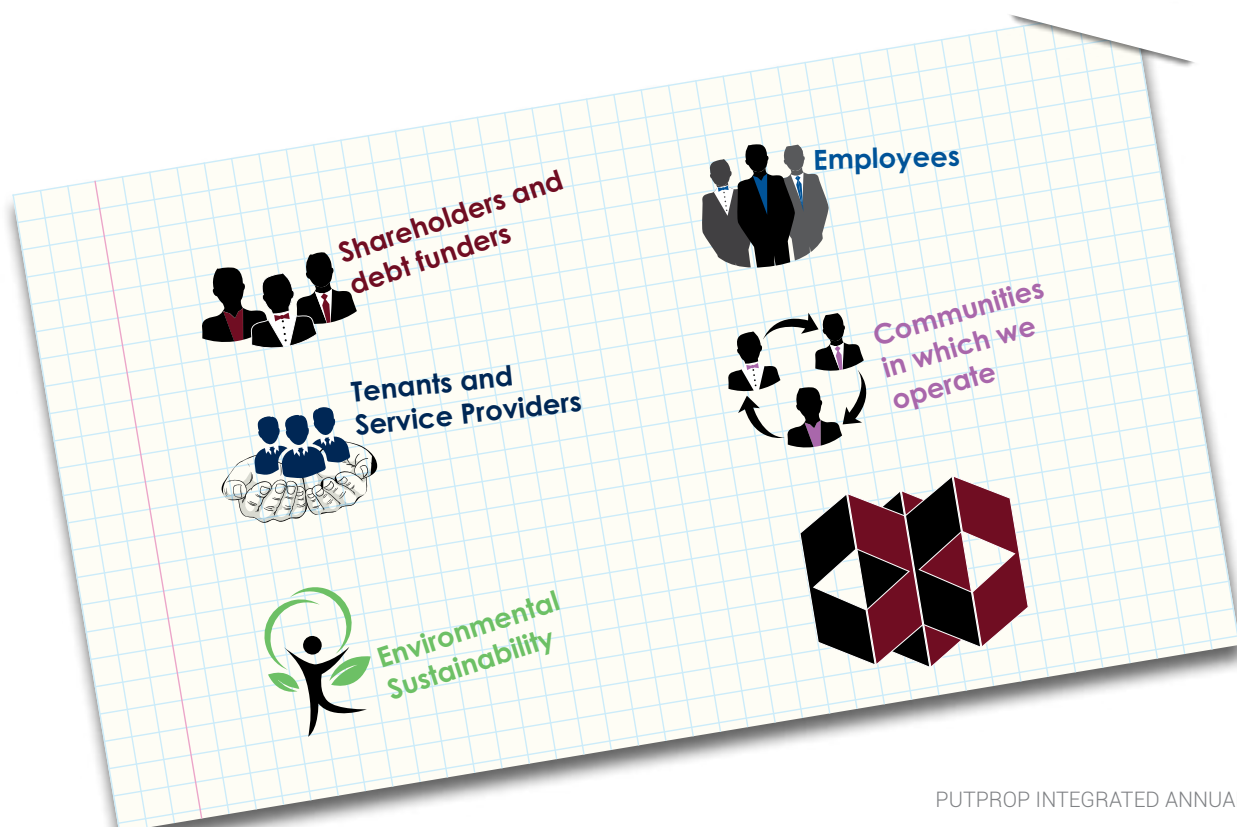
Putprop's primary objective is to build a quality portfolio of properties with strong contractual cash flows resulting in long-term sustainability and capital appreciation. We aim to actively build relationships with our tenants, suppliers and providers of capital. We also seek an active involvement with the communities in our areas of operation.

KEY STAKEHOLDERS

Our Group is accountable to all its stakeholders. This report aims to provide the various categories of stakeholders with essential, practical and user friendly information. The following are our key stakeholders:

- financial;
- commercial;
- community; and
- environmental.

The Group also recognises as stakeholders, apart from the stakeholders already identified, the Government and the Group's own employees.



Integrated Reporting - Our Approach (Continued)

STAKEHOLDER INTERACTIONS

Stakeholder	Engagement with stakeholder	Stakeholder contribution	Stakeholder expectation
Shareholders and debt funders	• Presentations including bi-annual result presentations • Investor conference calls • Site visits • JSE SENS announcements • Media announcements • Website • One-on-one meetings	The provision of financial capital to grow the business.	Providing growing distributions on an annual basis with the objective of delivering sustainable, quality earnings. Providing investors with a secure investment underpinned by high quality physical property assets. The timeous payment of interest and capital underpinned by a strong balance sheet and credit metrics that are well within covenants.
Tenants, service providers and other business partners	• Personal interaction and meetings • Information events • Operational notices • Print communication • Social media	Rental income from letting space. Sustainability of Putprop.	Providing the highest level of service to tenants which will enable them to thrive, grow and sustain their businesses. Transparent and honest interactions with service providers with timeous payments for services received.
Employees	• Electronic communication • Site visits for a better understanding of Group's operations • Presentations • Induction, training and development days	Employees form the foundation of our business and provide the performance required to grow the business with retention of high worth employees a priority	Rewarding the skills of employees by appropriate salary and remuneration schemes.
Communities and environment	• CSI initiatives in general • CSI initiatives at our properties • Environmental initiatives	An understanding of social, economic and environmental impacts on the communities in which we operate.	Sponsorship and donations. Communities initiatives and projects. Environmental upgrades of properties.

STAKEHOLDER FEEDBACK

Stakeholders may address any comments or feedback as to this integrated report to james@putprop.co.za



ASSURANCE AND COMPARABILITY

This integrated report has not been independently assured. The Group however reviews all internal and external assurances already in place and coordinates this process with existing risk management procedures. Preparation of this integrated report was done in accordance with best practice, applying the principles of King IV, The Companies Act, SAICA, Financial Reporting Guides as issued by the Accounting Practices Committee, International Financial Reporting Standards ("IFRS"), the Listings Requirements of the JSE Limited ("the JSE") as well as the Company's Memorandum of Incorporation. For additional recent announcements, visit www.putprop.co.za.

The information in this integrated report has been prepared using methods consistent with prior years and contains comparable information.

The Group's external auditors are obliged to examine the annual financial statements and have reported their opinion in this report.

APPROVAL OF THE INTEGRATED REPORT

It is the Board's responsibility to ensure the integrity of this integrated report.

The Board has applied its mind to the integrated report for the financial year ended 30 June 2018 and confirms that in its opinion the report addresses and discloses all of the known material issues and fairly represents the integrated performance of the Group as at the reporting date.

The Board approved the release of the June 2018 integrated report on 12 September 2018

Bruno C Carleo

12 September 2018

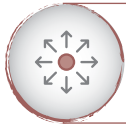
James E Smith

12 September 2018



Strategic Goals set for 2018

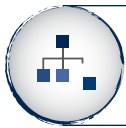
Critical performance factor



Optimise short term and long-term returns.



Continue to reduce over-dependence of contractual rental inflow on one single tenant to a level of 30% or less.



Optimise the asset quality of our portfolio by disposing of non-performing and low grade individual properties.



Grow the portfolio in the medium term to over 1 billion South African rands, asset value.



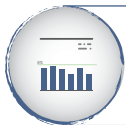
Improve our tenant focus with interactions with this group of stakeholders on a regular basis.



Consolidation and rationalisation of existing property portfolio with emphasis of releasing more value from these assets. Active acquisitions not to be pursued unless opportunities presented are value enhancing.



Continue to minimise cost of funding with gearing to be limited to 35% of our total assets.



Maintain vacancies below a target level of 8% of our gross lettable area.



Examine all areas of operational efficiencies.



Lease expiry profile that reflects a minimum of 50% future contractual rental income flows greater than three years.



Increase holdings in associate companies when presented with opportunities for long term capital growth and contractual rentals.



Rezoning of four of our properties situated in rural areas for future development into retail centres. Further progress dependent on outcome of feasibility studies.



What We Achieved in 2018

Delivery on identified strategy

We continue to provide long-term sustainability in the current challenging market. Dividend payout maintained. Strategy delivered.

Reduction in income from single tenant from 48% to 38% total contractual rentals. Strategy not delivered but improvement.

Five non-core assets identified as non-performing or low grade and actively marketed during financial period. No sales achieved to June 2018 but disposal of three properties subsequent to date of this report. Strategy partially delivered.

Group portfolio together with associated companies over R900 million. On course to achieve.

Direct contact held with all tenants during year with purpose of identifying tenants needs and building a strong tenant network. Early interactions to try to identify risks. Strategy delivered.

Associated companies reviewed for further expansion opportunities. All assets reviewed in portfolio to ensure strategy fit still relevant and balanced. Sectoral spread considered optimum for year. Strategy delivered.

Gearing during the year was maintained at 25% well below our mandated level of 35% of total assets. Strategy delivered.

Vacancies increased substantially in this period to 30.5% despite management's focused efforts. Disposal of non-core vacant properties after 30 June will decrease vacancy to 16.3%. Target level not met. Strategy not delivered.

Detailed review of corporate and property operations in period. Improvements made. Strategy delivered.

Future contractual rental streams greater than three years of 60%. Strategy delivered.

Increased holdings in associate companies Pilot Peridot and Belle Isle. Strategy delivered.

Three of the four have been identified as suitable for redevelopment. Feasibility studies are being finalised with suitable JO partners. Strategy delivered.

10 year Financial Performance Review

	2018 R'000	2017 R'000	2016 R'000	2015 R'000	2014 R'000
SUMMARISED INCOME STATEMENT					
Property revenue and recoveries	72 971	73 865	65 755	54 136	51 668
Property expenses	(19 966)	(20 074)	(17 617)	(14 958)	(13 280)
Net profit from property operations	53 005	53 791	48 138	39 178	38 388
Corporate expenses	(8 852)	(7 187)	(10 185)	(5 848)	(5 300)
Investment and other income	4 312	3 788	8 754	2 629	2 063
Associates' share of (losses) profits	(18 657)	3 049	(5 942)	13 167	19 371
Gain on Bargain purchase	–	–	–	10 918	–
Operating profit before Finance costs	29 808	53 441	40 765	60 044	54 522
Finance costs	(15 135)	(9 448)	(6 820)	(889)	–
Profit before capital items	14 673	43 993	33 945	59 155	54 522
Fair value adjustments	1 319	9 104	11 284	17 391	32 697
Profit(loss) on sale of capital assets and impairment transactions	–	–	(4 850)	800	282
Net profit before tax	15 992	53 097	40 379	77 346	87 501
Dividend distribution per share (cents)	13.0	13.0	106.54*	26.0	36.0
Headline earnings per share (cents)	59.5	55.9	69.4	85.1	86.3
SUMMARISED STATEMENT OF FINANCIAL POSITION					
Investment property	573 865	571 941	454 071	434 634	309 564
Investment in associates	162 428	151 643	102 076	114 473	66 068
Other non-current assets	18 398	9 435	4 588	2 990	4 307
Current assets	11 545	33 900	176 884	111 881	55 225
Total assets	766 236	766 919	737 619	663 978	435 164
EQUITY AND LIABILITIES					
Shareholders' equity	563 168	562 020	528 520	545 043	392 519
Non-controlling interest	–	–	–	26 780	–
Non-current liabilities	190 627	189 145	124 495	73 682	34 279
Current liabilities	12 441	15 754	84 604	18 473	8 366
Total equity and liabilities	766 236	766 919	737 619	663 978	435 164

* Includes special dividend of 89.5 cents



	2013 R'000	2012 R'000	2011 R'000	2010 R'000	2009 R'000
	47 835 (12 393)	47 643 (14 664)	38 055 (6 849)	36 093 (3 235)	33 660 (3 732)
	35 442 (4 830)	32 979 (4 479)	31 206 (3 689)	32 858 (2 993)	29 928 (2 786)
	1 475	1 793	1 457	415	1 642
	1 597	1 156	–	–	–
	–	–	–	–	–
	33 684 –	31 449 –	28 974 –	30 280 –	28 784 –
	33 684 32 269	31 449 11 600	28 974 28 035	30 280 19 504	28 784 17 613
	763	3 638	–	–	–
	66 716	46 687	57 009	49 784	46 397
	36.0	33.0	30.0	20.0	32.0
	86.8	74.1	66.2	73.7	70.0
	276 855	244 312	237 000	220 182	185 607
	50 728	48 369	10 867	10 097	9 703
	4 382	2 405	3 804	8 945	9 825
	33 712	24 545	39 548	11 969	10 808
	365 677	319 631	291 219	251 193	215 943
	331 374	291 639	270 209	236 136	204 500
	–	–	–	–	–
	27 661	21 065	15 385	12 819	9 634
	6 642	6 927	5 625	2 238	1 809
	365 677	319 631	291 219	251 193	215 943



6 Key Properties



1



Property
Parktown Towers
Sector
Commercial
Location
Johannesburg
Rentable area m²
4 666

Rental
30 June 2018
(R'000)
8 137
Average gross
rentals R/m²
145.3
Valuation R/m²
21 838

Property Synopsis
Value:
R101.9 million
Major tenant:
Cavi Holdings
Activities:
**Distributor of high
end cosmetics and
beauty products**
Occupancy:
100%



2



Property
**Secunda Value
Centre**
Sector
Retail
Location
Mpumalanga
Rentable area m²
8 482

Rental
30 June 2018
(R'000)
10 326
Average gross
rentals R/m²
95.1
Valuation R/m²
15 143

Property Synopsis
Value:
R128.6 million
Major tenant:
**Builders
Warehouse
Burger King
Sportsman's
Warehouse**
Activities:
Retail centre
Occupancy:
100%



3



Property
Putcoton
Sector
Industrial
Location
West Rand
Rentable area m²
9 559

Rental
30 June 2018
(R'000)
9 772
Average gross
rentals R/m²
85.2
Valuation R/m²
5 482

Property Synopsis
Value:
R52.4 million
Major tenant:
**Larimar Group
Triple
Net Tenant**
Activities:
**Mass transport
handling
facility and
workshop
operation**
Occupancy:
100%



4



Property
Corridor Hill
Sector
Retail
Location
Mpumalanga
Rentable area m²
5 835

Rental
30 June 2018
(R'000)
3 351
Average gross
rentals R/m²
47.8
Valuation R/m²
8 397

Property Synopsis
Value:
R49.0 million
Major tenant:
Bidvest
Volkswagen
dealership
Activities:
Retail car
dealership
Occupancy:
100%

5



Property
Eagle Canyon
Sector
Retail
Location
Roodepoort
Rentable area m²
2 241

Rental
30 June 2018
(R'000)
2 792
Average gross
rentals R/m²
103.8
Valuation R/m²
15 305

Property Synopsis
Value:
R34.3 million
Major tenant:
Super Group
Triple
Net Tenant
Activities:
Isuzu Dealership
Truck and Car
Occupancy:
100%

6



Property
Bank City
Sector
Commercial
Location
Potchefstroom
Rentable area m²
2 339

Rental
30 June 2018
(R'000)
3 109
Average gross
rentals R/m²
110.8
Valuation R/m²
11 073

Property Synopsis
Value:
R25.9 million
Major tenant:
Standard Bank,
Liberty Life,
Ukwazi
Nursing
Activities:
Retail and
Commercial
Occupancy:
100%



INDUSTRIAL



RETAIL



COMMERCIAL



BUSINESS REVIEW & CORPORATE GOVERNANCE

19

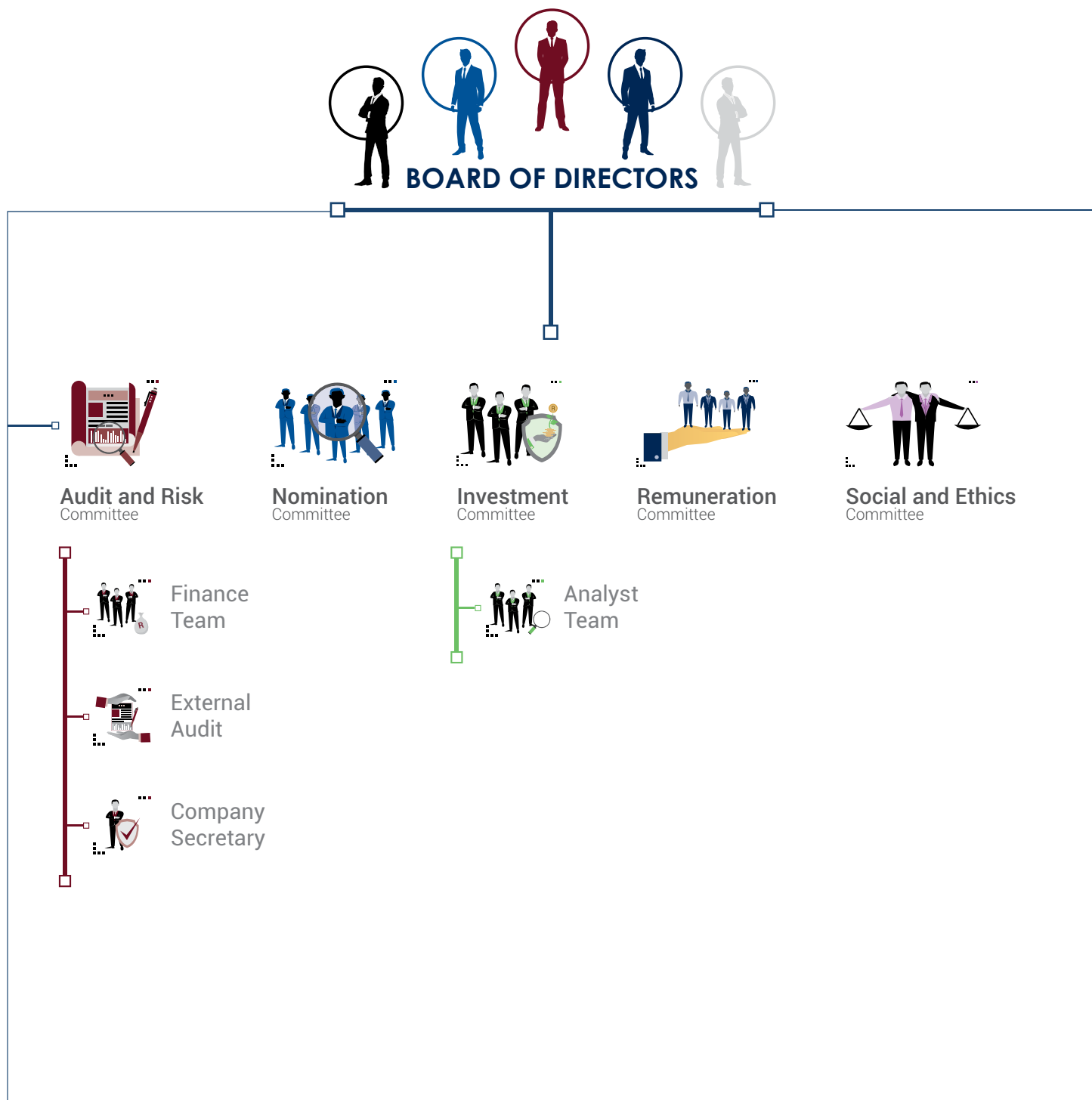
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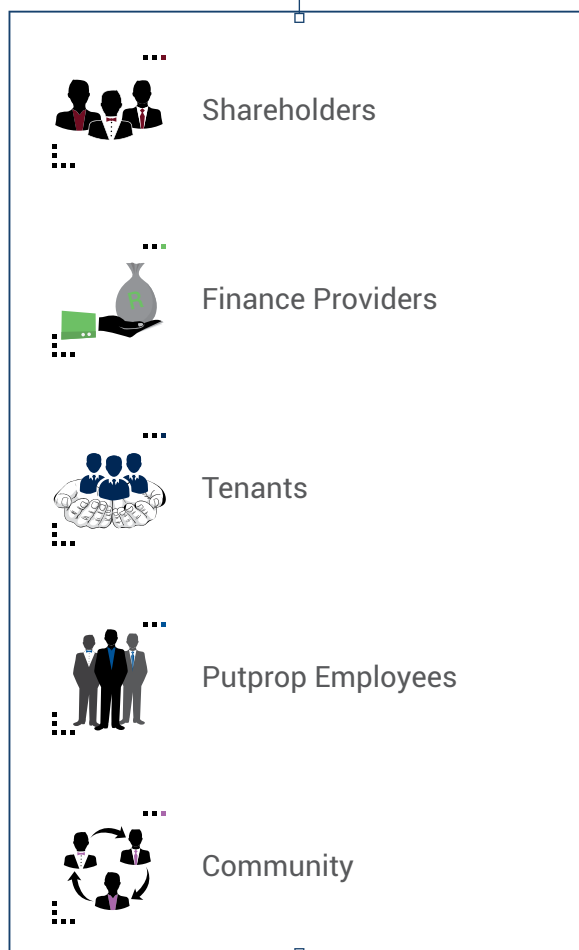




Business Review & Corporate Governance

Governance Framework





Chair's Report



INTRODUCTION

On behalf of the board of directors of the company ("the Board") I am pleased to report to our shareholders and other stakeholders on the 30TH annual financial results of the Group for the year ended 30 June 2018.

This year marks a special milestone in our reporting to our shareholders, with the Group celebrating 30 years of being listed on the JSE.

On July 4 1988 Putprop was listed on the JSE with a 100% industrial segment profile.

A few facts from our first published annual financial report to shareholders:

- Turnover of R5 million;
- Earnings per share of 9 cents;
- Property portfolio valued at R101 million;
- First dividend of 3 cents per share
- Annual report consisted of 12 pages- our current report has over 145 pages.

A lot has changed since those first days in 1988 both in terms of the Group and South Africa.



The world and South Africa over the past 30 years have seen the invention and wide use of:

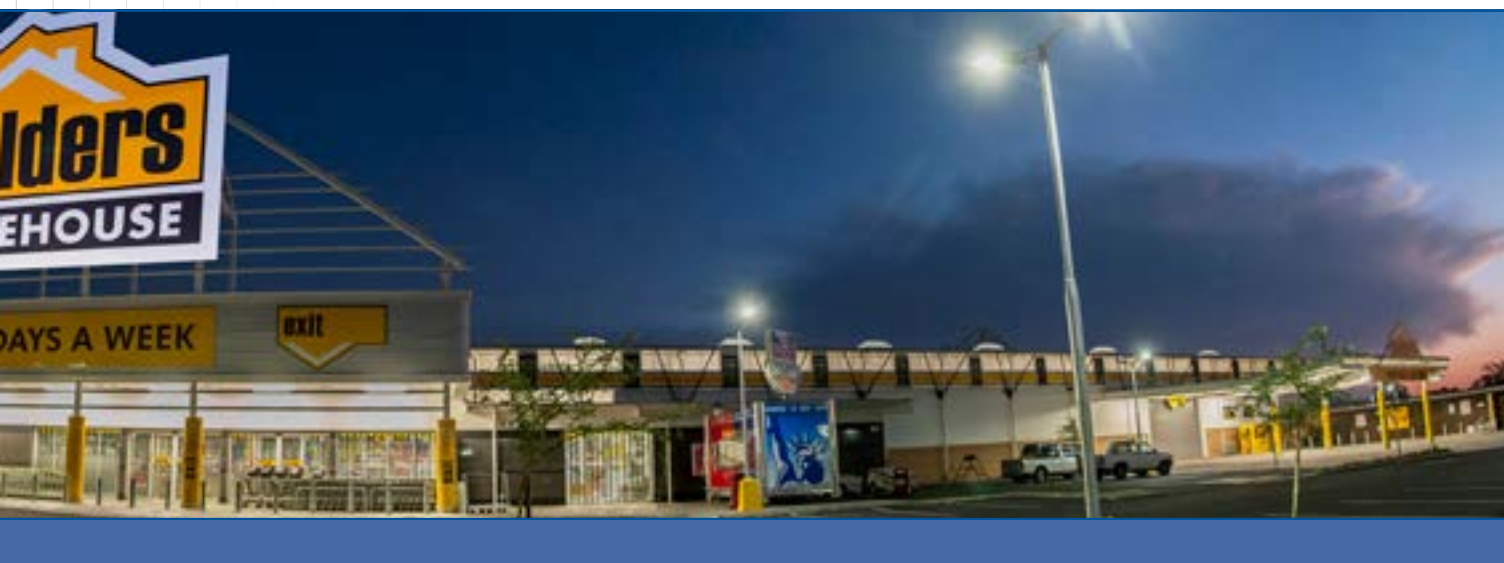
- DNA profiling;
- Search engines such as Google;
- E-mail communication;
- Personal computers;
- Instant messaging by SMS or WhatsApp;
- Social Network Services such as Facebook and Twitter;
- Smart phones;
- LED lights and TVs; and
- Broadband internet allowing access to the World Wide Web.

The list goes on.

In South Africa, the country became a democracy for all of its people in April 1994.

Putprop has also changed over the past 30 years from "a company that owned bus depots in Gauteng" to a Group with interests in all segments of the property sector, spread over several provinces. The property sector too has grown from a 2-3 billion rands to a mega industry approaching one trillion rands.

Putprop has delivered steadily over the past three decades in terms of returns, sustainable profitability and distributions. Our approach has always been one of conservative growth with the primary objective of building a quality property portfolio evenly spread over all three operating segments, with strong contractual cash flows and capital appreciation. Our dividend distribution policy, with our 30TH consecutive pay-out, continues to provide consistency and certainty to our shareholders as well as reward them for the trust and confidence they have given to the Group over the past 30 years.



OPERATING ENVIRONMENT

2018 again reflected a continuation of the volatile markets of the previous year, with stagnant economic growth in the developed economies and reduced growth in emerging markets. The property market in general traded under very tough conditions. South Africa again struggled to achieve any meaningful impact with a growth of 1.0% to 1.8% forecast for 2018/2019. The United Kingdom's exit from the European Union continues to play out, with unknown consequences. A potential trade war between the world's two largest economies, the United States and China will, if realised, have a huge impact on all countries, South Africa included. Interest rate hikes in the United States will result in a period of flux and uncertainty in all of the markets. The property sector will be no exception.

The South African environment remains challenging with a weakening economy, high political volatility and a fast depreciating currency. The "political spring" experienced with the change in the ANC president and subsequently the country's leadership seems to have dissipated as the reality of the challenges that face the country come to be understood. The rand continues to be in a state of freefall as a result of many factors least of which is the new ANC policy of possible land distribution without compensation. Before investor confidence, both locally and internationally, is restored this issue will have to have clarity.

The sovereign credit down grade appears to be stable with no movement expected in the next reporting period. All of these factors combined with high youth unemployment continue to diminish both business and consumer confidence.

Following on, the local property sectors operating environment remains difficult to do business in, with new market forces and variables evident in the trading year. Listed property has delivered its worst performance in a decade and fund managers do not expect the sector, which has been a reliable investment for several years, to gain much momentum before 2019.

The FTSE/JSE South African Listed Property Index (SAPY) has suffered a negative total return of 18.1% so far in 2018, according to Anchor Stockbrokers. This was according to research up to the end of June 2018. Total returns include capital appreciation and dividend growth.

So far in 2018 equities have lost 0.8% and bonds and cash have returned 2.4% and 3.2%, respectively. South African listed property has also performed worse than all other major listed property markets in the world. Operating conditions remained difficult with rising vacancies, longer collection times and a deterioration of rental escalations on new leases and renewals.

Competition for stable, low risk tenants remains fierce, with resultant downward pressure on both new rentals and renewals. High value tenants are in an enviable position when both contracting for new leases or when renewing existing contracts with in some cases extended payment holidays or large discounts to current market rates being offered to secure or retain such tenants.

With Eskom's continued above inflation tariff increases and tenants in the majority of our leases, no longer contributing to fixed municipal costs (rates), downward pressure on profitability is inevitable.

Chair's Report (Continued)

Our vacancy profile remains the greatest challenge facing the Group at present. Demand from new tenants has been dramatically reduced in all segments we operate in but predominantly in the industrial sector. It appears that the major operators and franchisees in the retail sector have also adopted a consolidation and wait and see view and curtailed new expansions. The industrial sector also remains static with companies downsizing rather than expanding. The Group has been unsuccessful in controlling its vacancies in this review period, with a large increase evident. A number of these vacancies have been previously identified as non-core assets and remain as properties for disposal. The Group has managed to sell certain of these vacant properties after this reporting period.

RESULTS

The year under review was challenging for Putprop on many levels. Gross Property revenue was flat, expenses up, profit before taxation down and our vacancy profile deteriorated significantly. In addition the Group accounted for a full year of interest costs on all of its financed properties resulting in a substantial increase in finance charges over 2018.

The review period reflects a decrease of 44.3% (2017: increase of 31.5%) on Putprop's profit before taxation fair value adjustments and finance costs. Headline earnings at 59.53 cents per share (2017: 55.9 cents per share) were up 6.5%. Group net profit after taxation was down by 82.3% to R6.9 million (2017: R39.3 million).

The share of associated losses from our investment in these companies was substantial at R18.7 million (2017: R3.1 million profit). This loss arose due to certain once-off expenses in Pilot Peridot as well as a revaluation downwards of certain of the associates property assets. This impacted on the Group's results for the current year. Management believes this to be a temporary aberration, and going forward, profits should recover.

The directors have decided to declare a final dividend of 7 cents per share payable after 30 June 2018 (30 June 2017: 7 cents). The total declared dividend for the year is 13 cents per share (2017: 13 cents).

PROPERTY PORTFOLIO

At 30 June 2018 our property portfolio consisted of 16 (2017: 17) properties, situated primarily in the Johannesburg and Pretoria metropolitan areas of Gauteng valued at R592.9 million (2017: R582.8 million). The performance of the investment property portfolio was strong with average annual property yields of over 9% (2017: 9%). The portfolio has a total gross lettable area of 79 702m² (2017: 82 890 m²).

The Group added to its holdings in two of its associated companies. An additional investment of R13.3 million (2017: R24.9 million) was made in Pilot Peridot One (Pty) Ltd and R3.6 million (2017: R20 million) in Belle Isle Investments (Pty) Ltd. Both, of these spends were made to enhance the Group's equity position in each company.

The Group did not actively pursue potential acquisitions during the year. The Board in its annual strategy meeting agreed on a view of consolidation and rationalisation for the 2018 year. However, its long-term objective of diversifying its property portfolio further into commercial and retail properties and also of reducing the risk of its dependence on its major tenant, Larimar Limited remains in place.

As a consequence, during this review period, the Group did not make any acquisitions.

BOARD CHANGES

Mr Paul Nucci resigned from the Board on 18 May 2018 to pursue other business interests. The Board thanks Mr Nucci for his contributions to the Group and wishes him well in his future. No other changes occurred in this review period.

The SENS announcement released on 7 June 2018, advised shareholders that Mrs Anna Novello, Mrs Rene Styber and Mr Gerrit van Heerden have been appointed to the Board with effect from 1 July 2018.

It is felt that this new enlarged Board will add knowledge, skills, diversity and experience to the Group.

The Board will continue to place emphasis on corporate governance, sustainability and transparency. Our Board committees continue to be active and effective.





BOARD EVALUATION

The Board annually evaluates its effectiveness and performance as a collective as well as the performance of its committees and the individual directors. During the period under review an internal assessment was conducted by the Board.

The Board was found to be adequate to its tasks. The Board has identified, and will discuss several matters which merit a more formal treatment. None of the directors raised major concerns in respect of the functioning of the Board or any of its committees. A formal evaluation will be performed on the new, enlarged Board during the 2019 cycle.

PROSPECTS

Our strategy continues to be that of enhancing our property portfolio by investing in suitable industrial, retail and commercial properties to improve our income streams. However, the current economic and political climate are such that the Group considers a period of consolidation and rationalisation of its current property and associated company assets to be essential going forward.

Cash resources have decreased over the current period due to the utilisation of these resources to increase our holdings in our associate companies, a strategic viewpoint taken by the Board.

Available cash resources together with controlled gearing may still be utilised to acquire suitable rental generating properties if exceptional opportunities present themselves. One of the Group's main strategies that of further diversification of its rental stream base in order to reduce risk from a limited number of tenants remains intact. In this review period the Group reduced its dependence on Larimar Limited from 48% to 38%, a pleasing result.

Looking ahead, we believe property fundamentals will be under pressure for the foreseeable future. Growth, if any, in gross domestic product is forecast by most economists to be in the region of 1.5% for the 2019 year. Trading conditions in the year ahead are expected to remain challenging with growth in the property sector around 5% to 6%.

Going forward it is the Group's intention to continue to uphold its policy of strong tenant retention and focus on cost controls, whilst maintaining the value of its existing portfolio through aggressive maintenance and renovation policies. We will strive to establish and build sustainable partnerships and joint ventures with organisations of a similar philosophy.

The Group continues to be in discussions with several parties to investigate the possibility of developing certain of our geographically well-positioned rural properties into large retail outlets or residential areas, with a view to unlocking greater value for shareholders. Substantial progress has been made in this endeavour. Rezoning should be finalised within 6 months. A decision as to the feasibility of progressing with these projects is expected in the 2019 year. Suitable partners have also been identified as any project approved by the Board will be on a joint operation, undivided share basis.

IN CLOSING

Given the current business climate, I wish to thank the people who contributed to the Group's success and performance, in particular our tenants for their continued support, as well as all our shareholders and other stakeholders.

Finally, I thank my fellow directors for their contributions, insights, judgments and support, and the management and staff for their work in delivering operational results that are reasonable, under difficult conditions.

Daniele Torricelli
Chairman
Johannesburg
12 September 2018



From The Chief Executive Officer



"The South African economy remains fragile with the "Ramaphosa Spring" failing to get traction and not being able to gain any momentum going forward"

BUSINESS AND MARKET OVERVIEW

On behalf of the Board, I am pleased to present Putprop's 30TH annual report for the year ended 30 June 2018.

The South African economy remains fragile with the "Ramaphosa Spring" failing to get traction and not being able to gain any momentum going forward.

The year under review reflected lower activity in the listed property sector than in recent previous years. Returns achieved by the sector were substantially down on previous years.

The recent decision by the ANC to support a bill allowing land redistribution without compensation necessitating a change in the country's constitution has tempered the possibility of an early economic recovery. Most economists are forecasting growth of around 1.2 to 1.5%. It remains to be seen if this is achievable. Recent history does not speak well in this regard.

In addition South Africa's downgrade to junk status will curtail much needed foreign investment. Recovery will be slow and painful. Political unrest cannot be discounted and the large unemployment of youths in the 18-25-year age bracket, and the possible effects thereof will continue to cause concern going forward.



Strategically, Putprop's approach in the year under review was that of consolidation and rationalisation of existing properties in its portfolio. Non-core properties and our vacancy profile were identified as areas for management to aggressively focus on. Although acquisitions were not targeted as specifically as in past years suitable opportunities were still considered by the investment committee and forwarded to the Board for consideration. No acquisitions were approved in the current year.

We will however continue as a Group to actively seek out portfolio additions that will meet all the parameters as determined by the Board, which will include limited financing for large acquisitions.

Consumer confidence and disposable income is on the downturn, with such income set to be put under severe pressure as a result of the combined impact of domestic petrol price increases and the recent VAT rise to 15%. Vacancies in all of the property segments increased over the previous reporting period. However, Putprop's vacancy rate of 30.5% at year end is very high (2017: 17.3%). It is important to note that all of the vacancies are in the industrial segment. The unexpected loss of Larimar as a tenant in January in our Brits property has contributed 13 000 m² GLA or 16.3% of the Group's vacancy profile.

The Group's yields on the various market segments in Gauteng, our main geographic area, were commercial at 9.0%, industrial, our main sector at 10.5% and retail at 7.9%.





PERFORMANCE OVERVIEW

Operations for this review period were challenging for the Group, with results substantially down from the previous year.

The Group's profit summary for the year was as follows:

	2018 R'000	2017 R'000
Gross property revenue	72 971	73 865
Operating profit	14 672	43 993
Associate share of profits/(loss)	(18 657)	3 049
Profit (loss) on sale of Investments	-	-
Fair value adjustment	1 319	9 104
Net profit before taxation	15 992	53 097
Taxation	(9 036)	(13 790)
Profit for the year	6 956	39 307

The Group reflects results that were down substantially on our previous reporting period. The loss of the Larimar occupied Brits property resulted in a loss of revenue which the Group could not recover in this reporting period. The high vacancies in our industrial segment also contributed. Maintenance costs on aging assets were controlled in this reporting period, as were our other property costs. Operational efficiencies continued to be an area of importance for management. On our vacant properties certain refurbishment costs will be incurred or fairly large tenant installation costs needed in order to sell or lease these. Since the date of this report two of the Lea Glen properties and our Midrand property have been disposed of.

Property revenue, at R72.9 million (2017: R73.8 million) together with controlled property expenditure gave rise to an operating profit before capital items and taxation of R14.7 million, substantially down on 2017 results of R43.9 million. Finance costs increased to R 15.1 million (2017: R9.4 million) and reflect the full year costs for Parktown Towers as well as our Corridor Hill and Secunda properties. Profit before taxation reduced to R15.9 million (2017: R53.1 million).

The share of associated losses from our investment in these companies was substantial at R18.7 million (2017: R3.1 million profit). This loss arose due to certain once off expenses in Pilot Peridot as well as a revaluation downwards of certain of the associates property assets. This impacted on the Group's results for the current year. Management believes this to be a temporary aberration, and going forward profits should recover.

The accounting treatment for the investment in Pilot Peridot is currently under review and may be subject to change. The directors will keep all stakeholders informed.

The straight-line rental income adjustment and asset increased significantly due to long term lease rentals in the subsidiary and joint operations taking effect and the Parktown lease being in effect for a full 12 months in Putprop Limited.

The net asset value of the Group increased over the reporting period by 4% from 1 252 cents per share to 1 260 cents per share as at 30 June 2018.

An interim dividend was declared in March 2018 of 6 cents (2017: 6 cents per share) per share. The Board has approved a final dividend of 7 cents per share (2017: 7 cents). This brings the total distribution for the year to 13 cents (2017: 13 cents).



From The Chief Executive Officer (Continued)

EXPANSIONS AND REFURBISHMENTS

No major expansions or tenant refurbishment or revamps other than as indicated below, were attributed for the year under review (2017: nil). A capital expense of R1.2 million was approved for refurbishment of our Bank City property.

Capital expenditure of R6 million (2017: Nil) has been approved for the construction of new workshop facilities on our Eagle Canyon development land. This will enhance the existing Isuzu dealership and ensure retention of the tenant. No other capital expenditure has been approved by the directors for the next financial period.

PORTFOLIO OVERVIEW

The geographical spread and sectoral profile of the Group's investment portfolio is reported on pages 61 and 62. The lease expiry profile on page 63 of this report reflects that 8% of the Group's leases expire during the coming year (by revenue) this includes monthly rentals.

The Group's property portfolio as at 30 June 2018 consisted of 16 properties (2017: 17 properties) with a gross lettable area of 79 702m² (2017: 82 500m²). Full details of the property portfolio appear on pages 62 to 63 of this report. The entire portfolio was independently valued at 30 June 2018 with a fair value adjustment upwards of R 9.5 million or 1.7%

(2017: R14.1 million up). National tenants form 29% of the tenant base (2017: 85%). Vacancies at 30.5% (2017: 17.3%) are a major concern. The current market is overtraded in the industrial segment for large logistic tenants where these vacancies largely exist. However, two of the vacant properties were disposed of after the date of this report. This will reduce downwards the vacancy profile to 16.3%. The conclusion of leases or sale of the remaining vacant properties in the short term is not promising.

Our leases continue to be weighted towards national, listed and franchise tenants, giving stability and a low risk profile to the portfolio in respect of defaults. Annual escalations of the gross tenant rental income for the following 12-month period are 7.62% retail, 7.34% commercial and 8.0% industrial.

The Board in its annual strategy meeting agreed on a view of consolidation and rationalisation for the 2018 year. However, its long-term objective of diversifying its property portfolio further into commercial and retail properties and also of reducing the risk of its dependence on its major tenant, Larimar Limited remains in place.

As a consequence, during this review period, the Group did not make any acquisitions. Improvements to certain properties were made.

TOP PROPERTIES

The Group's top six investment properties by value and gross rental contributions are:

Property	Gross lettable area m ²	Rental contribution %	Value 30 June 2018 R'000
Secunda Value Mart	8 482	18.8	128.6
Putcoton	9 559	18.0	52.4
Parktown Towers	4 666	15.0	101.9
Corridor Hill	5 835	6.2	49.0
Dobsonville	3 500	6.9	26.3
Bank City	2 339	5.7	25.9

RETAIL SECTORAL REVIEW

The retail segment performed well, with no vacancies as at 30 June 2018.

This is in contrast to the national market where retail sales have slowed down with the resultant knock on effect on shopping centres. The national average vacancy rate increased slightly to 4.2%. All retail segments witnessed an increase in vacancy rates, with neighbourhood centres lower than the other segments.

There were no additions to the retail portfolio for the year (2017: R8.6 million). No leases expired during the current year. Leases expiring in the next six months have been successfully negotiated.

Secunda Value Mart and Corridor Hill contributed strongly to our retail rentals during the period.

The retail properties make up 25.6% (2017: 23.0%) of the total gross lettable area of the property portfolio and 34.8% (2017: 8.4%) of rental income.

This segment was revalued upwards by R2.9 million (2017: R4.9 million)

COMMERCIAL SECTORAL REVIEW

The national office market remains under pressure with the vacancy rate increasing to 12.9%. Fortunately, Putprop's exposure is limited to two properties both of which are fully tenanted with long leases in place.

Our exposure to the commercial segment is 8.9% in respect of GLA (2017: 8.4%). Contractual rental accounts for 20.6% (2017: 8.4%) The sector was revalued upwards by R7.4 million as at June 2018 (2017: R6.3 million increase).

INDUSTRIAL SECTORAL REVIEW

The industrial sector continued to be the Group's best performing sector rental wise, as it has been over the last five years. Contractual rental income however decreased to R24.3 million or 44.6% (2017: R30.12 million and 57.5%) of the Group's total rental income. As noted above, the loss of Larimar as a tenant in our Dubigeon property was the primary cause of this decline. Vacancies increased substantially in this segment to 30.5% from 17.3% in 2017.

The national average is lower at around 5%. To reduce these vacancies in 2019 is expected to be challenging. Two of the properties have however been sold post year end.

The industrial portfolio was revalued downwards by R0.80 million (2017: R2.7 million up) at 30 June 2018. The average contractual escalation at June is 8%. Our industrial properties make up 66% (2017: 68%) of our total gross lettable area.

A large number of the industrial properties held by the Group, are category 'C' properties requiring high maintenance costs to preserve these assets in a reasonable condition.

BORROWINGS

The Group has limited borrowings of R150.0 million (2017: R149.6 million). Loan to value (LTV) funds stand in at 25% (2017: 25.7%) which is below the mandated LTV given by the Board of 35% (2017: 35%).

THE YEAR AHEAD

Looking ahead, we believe that the next 12 months will continue to present challenges for the property sector as a whole, with the likelihood of continued pressure on rentals and vacant rental space. Operations wise, Putprop will experience challenges in particular in the industrial segment in respect of our vacancy profile. Management's efforts will be strongly focused to reduce these vacancies.

Interest cost will continue to be relatively high for the foreseeable future, but is not expected to grow significantly barring new acquisitions or an increase in the national prime rate. We will also continue, however, with our strategy of diversifying our portfolio, into both the commercial segment as well as new geographic areas, in order to deliver long-term growth for our shareholders.

Our joint venture investigations into retail development opportunities continue to be pursued.

Progress has been made in this regard. We have substantial interest from major retail rural developers including listed entities. Planning and rezoning is expected to be finalised by early 2019. The possibility once Board approval has been finalised of breaking ground in mid-2019 appears strong.

Good progress has also, been made in obtaining interest from major national tenants in the Mamelodi, Dobsonville and Soshanguwe sites. Large retail convenience centres have been identified for development. Nancefield is not expected to be part of any future redevelopment. Further updates will be forthcoming, once suitable progress has been made.

Finally, I would like to express my thanks and appreciation to the Chair and the Board as well as to all staff for their support and input over the past year. To our tenants and business partners, your support is also greatly appreciated.



Bruno C Carleo
Chief Executive Officer

Johannesburg
12 September 2018







Board of Directors



JAMES SMITH (64) FINANCIAL DIRECTOR

Date of appointment: 17 June 2009
BSc, B.Accounting, CIEA



James was appointed an executive director in 2009. He joined Messina Limited in 1988 gaining 11 years broad financial experience in the automotive industry, culminating in being appointed Group Financial Director of Messina Heavy Vehicles. James has held board positions with various organisation and has also been exposed to over 13 years operational and management experience in the retail and property sectors. He also holds directorships in several unlisted companies.

HAYDEN THOMPSON HARTLEY (44) INDEPENDENT, NON-EXECUTIVE DIRECTOR



Date of appointment: 17 February 2016

Hayden holds a Bachelor of Commerce Honours degree in Finance and Economics, with twelve years' experience in the property, construction and development sectors. He has also been involved in numerous projects for a leading South African gold mining company in his capacity as construction and project manager, and is currently involved in additional projects from a development perspective.





BRUNO CARLEO (62)

CHIEF EXECUTIVE OFFICER

Date of appointment: 11 March 1997



Bruno has held numerous senior managerial positions in the transport and property industries gaining varied experience for over 28 years before bringing operational expertise to Putprop. He joined the Board in 1997 and holds directorship in several unlisted companies.

DANIELE TORRICELLI (54)

INDEPENDENT,

NON-EXECUTIVE DIRECTOR



Date of appointment: 3 December 2015

Daniele holds a Bachelor of Science (Mechanical Engineering) as well as an MBA from Wits Business School and is a member of the Exco team of one of the largest clay brick manufacturers in Africa. He brings extensive strategic and tactical skills to the Board as well as broad general business experience.



Board of Directors (Continued)

GERRIT VAN HEERDEN (64)

INDEPENDENT,   
NON-EXECUTIVE DIRECTOR

Date of appointment: 1 July 2018

Gerrit holds a B.Sc.Eng. (Civil Engineering) degree from the University of Pretoria and has over 40 years' of engineering experience. Gerrit has extensive exposure to township and development schemes with particular reference to municipal services designs, implementation thereof and project and contract management. Gerrit joined GVM Incorporated, a private engineering firm in 1993 as a director, where after he became the Managing Director and owner in 2005, a position which he holds to date.

ANNA CARLEO-NOVELLO (57)
EXECUTIVE DIRECTOR



Date of appointment: 1 July 2018

Anna has executive managerial experience in both property, administration and development, as well as over 25 years' experience in retail markets. She has held numerous board positions in both listed and non-listed companies.

RENE STYBER (47)

INDEPENDENT,
NON-EXECUTIVE DIRECTOR   

Date of appointment: 1 July 2018

René is a sales professional with 28 years' of management experience across a variety of fields including, *inter alia*, product management, residential and commercial property sales and company management. René has successfully managed her own commercial property business since its inception in 2010 and most recently, is a director of Rosh Pinah Properties Proprietary Limited, where she manages a team of brokers as well as day-to-day operations.



The Team

**“TO BE OLD
AND WISE YOU
MUST FIRST
BE YOUNG AND
STUPID”**

MARIE CASEY

Accountant

Marie has held the position of assistant accountant and accountant with Putprop and its associated companies for over 43 years. She brings a wealth of expertise and practical operational knowledge to the accounts department as well as other administrative areas within the Group.



PAMELA HAUPTFLEISH

Accountant

Pamela has worked exclusively in the accounting functions of industries as varied as advertising, logistics and hospitality. She has had international exposure in various countries. Pamela brings this knowledge to the operational running of Putprop's accounting department.

**“I CAN'T CHOOSE
THE DIRECTION OF
THE WIND BUT I
CAN ADJUST MY
SAIL TO REACH MY
DESTINATION”**

**“PRAY. SET
GOALS. WORK
HARD. SUCCEED.
THANK GOD AND
STAY HUMBLE”**

COMFORT NGWENYA

Administrative Assistant

Comfort has worked for Putprop for five years and is responsible for the day to day administrative duties of the head office.





Corporate Governance and Risk Management

PHILOSOPHY

The Board of directors of Putprop ("the Board") endorses the code of corporate practices and conduct as set out in the King IV report. The Board is of the opinion that the Group has applied the principles incorporated in the King IV Report. In addition, the Group complies with JSE Listings Requirements of JSE Limited, and other regulatory frameworks. The principles contained in the King IV Report have been reviewed and considered in a manner that reflects the stature, market position and size of the Group.

The Board has had submissions from independent consultants in respect of all measures of good corporate governance to ensure that all directors are fully conversant with best practice and current trends.

Corporate governance incorporates the adoption and monitoring of sound and effective systems of internal control, the assessment and management of business risks and the definition and implementation of appropriate business procedures. Responsibilities are fixed, directed and controlled for the purpose of administering and safeguarding shareholders' interests and Group assets.

Corporate governance within Putprop is managed and monitored by the Board. The Board deems corporate governance a priority and is committed to applying the principles, structures, policies and practices necessary to ensure that good corporate governance is practiced, and for this accepts full responsibility. These principles include integrity, transparency, accountability and relevant and meaningful reporting to all stakeholders.

KING IV APPLICATION

From 1 October 2017, all JSE listed companies were required to issue annual reports and circulars that comply with the provisions of King IV. Putprop has accordingly benchmarked our governance practices against these principles. The below register sets out Putprop's compliance with King IV.

Leadership	Principle 1: The governing body should lead ethically and effectively.
	The Board has approved a code of conduct and ensures that its own and management's conduct set the example for how Putprop's values are enshrined in all of its activities. Measures are in place to ensure that all Board members have sufficient working knowledge of the Group, its industry, and all key laws, rules, regulations, codes and standards. The Board further operates under an approved Charter, which regulates the way business is conducted in line with the principles of sound corporate governance. The Charter details the powers of the Board and provides that the Board has ultimate accountability and responsibility for the Group's performance and affairs.
Organisational Ethics	Principle 2: The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.
	The Board has assumed responsibility for the ethics of the Group by having established a code of ethics that it ensures is clearly articulated and implemented throughout the Group. The code of ethics is reviewed annually and updated where necessary to ensure that it remains relevant to the Group's activities. The Board ensures that compliance with the code of ethics is integrated into the strategy and operations of the Group. The Group's ethics are contained in its vision, strategies, operations, its decisions and conduct as well as the way it treats its internal and external stakeholders. A whistle blowing hot line has also been established which is independently managed by the chair of the Board.
Responsible corporate citizenship	Principle 3: The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.
	The SE manages the Group's corporate citizenship responsibilities on behalf of the Board through continuous oversight over the Group's activities in respect of public health, safety, the environment, social responsibility and stakeholder engagement. The Board ensures that the company is a responsible corporate citizen, by complying with all legislation and regulations applicable to it and allowing for time at meetings to discuss issues relating to the workplace, the economy, society and the environment.

Corporate Governance and Risk Management (Continued)

Strategy and performance	Principle 4: The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.
	The Board informs and approves strategy and ensures that the strategy is aligned with the purpose and objectives of the Group, the value drivers of its business and the legitimate interests and expectations of its stakeholders. An overview of the Group's short, medium and long-term goals, as well as an assessment of the Group's performance in comparison thereto, is contained on pages 12 and 13 of this report.
Reporting	Principle 5: The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long-term prospects.
	Putprop has controls to enable it to verify and safeguard the integrity and reliability of its integrated report. The Board is responsible for overseeing the integrity and completeness of the integrated report and has applied its collective mind to the preparation and presentation of the report. The Board is further responsible for ensuring that the Group's reporting framework complies with the provisions of the Companies Act and the JSE Listings Requirements. The Board ensures that the integrated report sets out the positive and negative effects of the Group's operations on the environment and society – as well as any plans to improve the positive effects and remove or reduce the negative effects in the financial year ahead. The integrated report discloses details of how the board has satisfied itself that risk assessments, responses and interventions are effective.
Primary role and responsibilities	Principle 6: The governing body should serve as the focal point and custodian of corporate governance in the organisation.
	The Board Charter provides that the Board's role is to act as the focal point for, and custodian of corporate governance in the Group by arranging its relationship with management, the shareholders and other stakeholders of the Company along sound corporate governance principles. The Board is satisfied that it has fulfilled its responsibilities in accordance with its charter for the reporting period. The Board's activities in this regard are more fully set out on page 43 of this report.
Composition	Principle 7: The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.
	The Board is satisfied that its composition reflects the appropriate mix of knowledge, skills, experience, diversity and independence for it to discharge its roles and responsibilities objectively and effectively. The Board is comprised of a majority of non-executive members, all of whom are independent, and has a set target in terms of race and gender representation through its approved Race and Gender Diversity Policies. The Board chair is an independent non-executive director and is separate from the Chief Executive Officer (CEO). A schedule of other professional positions held by Board members is reviewed prior to all meetings. Periodic rotation of directors is provided for in Putprop's Memorandum of Incorporation (MOI). Further to the above the Board Charter encapsulates that a formal induction programme is established for new directors and that inexperienced directors are developed through mentorship and training programmes.



Committees	Principle 8: The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with balance of power and the effective discharge of its duties.
	While the Board remains accountable and responsible for the performance and affairs of the Group, Board committees assist the Board in discharging its duties and responsibilities. These committees do not however, in any way, mitigate or discharge the Board of its duties and responsibilities. Board committees observe the same rules of conduct and procedures as the Board, unless the Board determines otherwise. The Board has constituted the following Committees: AR, SE and RNHR. Each committee has a formally determined and Board approved charter, containing clearly agreed upon reporting procedures and a written scope of authority, which is reviewed annually and approved by the Board. The Board ensures that suitable candidates, who have suitable qualifications, from within its structures are appointed to the above committees, so as to achieve their respective objectives.
Evaluations of the performance	Principle 9: The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.
	The Board determines its own role, functions, duties and performance criteria as well as that for directors and board committees. An annual effectiveness self-evaluation is undertaken in respect of the board and its sub-committees and for the year under review, the board satisfied itself that it and its sub-committees operated effectively. In addition, the Chair also ensures that the Board operates effectively by regularly engaging with the non-executive directors on their performance and other matters that may need to be raised with Exco. Any pertinent matters of concern are conveyed by the Chair to the CEO and filtered down to Exco. The Board is satisfied that the evaluation process is improving its performance and effectiveness.
Appointment and delegation to management	Principle 10: The governing body should ensure that the appointment of, and delegation to management contribute to role clarity and the effective exercise of authority and responsibilities.
	The CEO is responsible for executing the Group's strategy and periodically reports to the Board in this regard. The Board is satisfied that its delegation to management contributes to an effective arrangement by which authority and responsibilities are exercised. The company secretary is empowered and authorised to provide corporate governance services to the Board and management and the Board is of the view that this arrangement is sufficient.
Risk governance	Principle 11: The governing body should govern risk in a way that supports the organisation in setting and achieving strategic objectives.
	The AR assists the Board in respect of the governance of the Group's risk tolerance and risk appetite. The implementation and execution of risk management has been delegated to the Executive however the Board exercises continuous oversight in this regard. The Board's responsibility for risk governance is expressed in the its Charter as well as the Board approved Risk Management Policy. The Board, through the AR, ensures that appropriate risk management programmes are in place and monitors their implementation against key risk indicators. Each year the Board evaluates the Group's risks against current realities and resets risk tolerances as and when necessary. An overview of the arrangements for governing and managing risk is included in the AR report contained on pages 86 to 88 of this report.

Corporate Governance and Risk Management (Continued)

Technology and information governance	Principle 12: The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.
	The AR assists the Board in respect of technology and information governance. The implementation and execution of the technology and information framework has been delegated to the Executive however the Board exercises continuous oversight in this regard. Management regularly demonstrates to the Board that Putprop has adequate business resilience arrangements in place for disaster recovery.
Compliance governance	Principle 13: The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.
	The Board ensures compliance with all relevant South African legislation, including REIT, King IV and JSE Listings Requirements. Compliance with laws, rules, regulations and relevant codes is integral to the Group's risk management process and key to ensuring that it achieves its strategy. The AR is responsible for ensuring that an appropriate compliance framework is in place and that non-compliance is reported. The SE has also been mandated to monitor the effectiveness of compliance management.
Remuneration governance	Principle 14: The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.
	The Board, assisted by the RNHR, oversees the establishment of a remuneration policy that will promote the achievement of strategic objectives at all levels in the Group and encourage individual performance. The Board reviews the outcomes of the implementation of the remuneration policy on an annual basis. Non-binding advisory votes in respect of the Group's remuneration policy and remuneration implementation reports are placed before shareholders at the annual general meeting of the company. In the event that either of these are voted against by 25% or more of the voting rights exercised at the annual general meeting, the Board engages with dissenting shareholders to address legitimate and reasonable objections and concerns.



Assurance	Principle 15: The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.
	The Board is responsible for the management of the Group's systems in respect of internal control and risk management and evaluates the adequacy and effectiveness of these processes. Internal controls are established not only in respect of financial matters, but also operational, compliance and sustainability issues. The Board, through the board committees and external assurance providers, operates within the confines of the JSE Listings Requirements, the Companies Act, King IV and the integrated reporting framework to determine the approach and direction of external reporting. The AR ensures the efficiency and profitability of operations, the reliability of information, and adherence to rules and regulations. The independent external auditor is responsible for reporting on whether the annual financial statements are fairly presented in compliance with IFRS and the Companies Act. The SE is responsible for providing assurance in respect of Putprop's B-BBEE certification, health and safety issues, whistle-blowing, corporate social investment and other sustainability issues. The Board and its committees rely on management's knowledge and expertise of the various areas requiring assurance in order to scrutinise and validate the results of all external reports.
Stakeholders	Principle 16: In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.
	Stakeholders have been identified as one of the Group's four key strategic pillars, therefore the Board has adopted a stakeholder-inclusive approach which carefully considers legitimate and reasonable stakeholder risks and concerns when reviewing and refining strategy. The CEO and the Chief Financial Officer (CFO) continuously engage with key financial audiences, particularly investors and analysts. Each stakeholder is communicated with through various channels such as SENS announcements, circulars and periodic reports, and feedback is encouraged in writing, telephonically or via the website.



Corporate Governance and Risk Management (Continued)

THE BOARD



STRUCTURE, COMPOSITION AND ROTATION

STRUCTURE POLICY

The Board is collectively responsible to all shareholders for the sustainability, long-term success and strategic direction of the Group. The Board exercises its control through a governance framework providing for detailed reporting to the Board by management and board committees, as well as established and regularly reviewed systems of internal controls.

As at date of this report Putprop has a unitary board comprised of seven directors, of whom four are independent non-executive and three are executive. The independent non-executive directors collectively contribute an extensive range of financial, corporate governance and business experience to the decision-making processes of the Board.

The Board believes that the number, calibre and wide-ranging business experience in strategic, financial, commercial and property activities of the independent non-executive directors are such that their views carry significant weight in the Board's decision-making processes and allows them to exercise independent judgement in board decisions and deliberations.

In line with the Board approved Race and Gender Diversity Policies, should a vacancy on the Board arise, or should there be a requirement for an additional Board appointment, preference will be given to appropriate candidates who meet the skills, expertise, experience and background required to fill such position.

There is a clear distinction between the running of the Board and the executive responsibility for the running of the Group's day-to-day business. The Board believes that this division of responsibilities ensures that a balance of power and authority amongst directors exists, such that no one director has unfettered powers of decision making.

Non-executive directors receive no benefits from Putprop other than their directors' fees.

All non-executive directors are considered to be independent. This level of independence for all non-executive directors is reviewed every two years by an independent external party.

Appointments

Appointments to the Board are made using a formal and transparent process from submissions received from the Nomination Committee. All candidates are reviewed in detail by the Board against objective criteria such as experience, qualifications and industry knowledge. Final appointments must be unanimously approved by the Board. Once appointed, the Nomination Committee ensures that all new directors are adequately informed with respect to Putprop's business policies, ethical standards, meeting dates and procedures. This is achieved through the provision of information and by formal induction.

In addition, new directors are introduced to courses run by the JSE Limited and the Institute of Directors at the Group's expense. New developments, including those relating to the Companies Act, corporate governance and other relevant legislation are communicated at Board meetings.

Changes to the Board

Mr Paul Nucci, an independent non-executive director, resigned from the Board on 18 May 2018 due to time constraint requirements of his other commitments.

Subsequent to Putprop's financial year end the following directors were appointed to the Board:

Mr G Van Heerden was appointed as an independent non-executive director and a member of the AR, with effect from 1 July 2018.

Mrs R Styber was appointed as an independent non-executive director and a member of the AR, with effect from 1 July 2018.

Mrs. A Carleo-Novello was appointed as an executive director, with effect from 1 July 2018.

Abbreviated *curricula vitae* in respect of the above-mentioned directors appear on pages 32 to 34 of this report.

Board Chair

The Board is chaired by an independent non-executive director and, in accordance with King IV and the JSE Listings Requirements, the roles of Chair and CEO are separate and distinct to facilitate the smooth and efficient functioning of the Board. A formal delegation of authority framework ensures that there is a clear division of responsibilities between the Chair, the CEO and those of the Board as a whole.



Rotation and compulsory retirement age

In accordance with the Group's MOI, non-executive directors have no fixed terms of appointment but one third are subject to retirement by rotation at each Annual General Meeting and, if eligible, thereafter are re-elected by shareholders. In addition to this, the appointment of any new directors by the Board during the year are required to be confirmed at the following annual general meeting.

The Group does not have a compulsory retirement age for executive and non-executive directors. However, upon reaching the age of 70, both executive and non-executive directors require Board approval for their nomination to be submitted at the annual general meeting for final approval and appointment. Such appointment is reviewed annually by shareholders.

RESPONSIBILITIES

The Board operates under an approved charter which regulates the way business is conducted. Primary responsibilities include discussing and reviewing the strategic direction of the Group, monitoring investment decisions, considering significant financial matters and reviewing performance. In addition, specific attention is given to ensuring that a comprehensive system of policies and procedures is operative and compliant with corporate governance principles. This is reviewed regularly. The Board remains responsible to its shareholders in the exercise of its duties.

Non-executive directors contribute an independent view to matters under consideration and add to the breadth and depth of the experience of the Board. All directors have the appropriate knowledge and experience necessary to perform their duties, and are actively involved in the Group's affairs.

BOARD CHARTER

The Board has a formal written charter which encompasses legislative requirements, King IV recommendations and the principles of best practice. The Board further acknowledges that it is responsible for the main functions in the charter as set out below:

- Providing strategic direction and leadership by assessing and authorising budgets, plans and strategies submitted by senior management;
- Determining, implementing and monitoring policy procedures, practices and systems to ensure the integrity of risk management and internal controls to protect Putprop's assets and good name;
- Monitoring the operational performance of the business against predetermined budgets, financial and non-financial indicators;

- Monitoring the performance of management at both operational and executive level;
- Establishing relationships with its shareholders, staff and other relevant stakeholders which are open, transparent, and honest using accepted principles of good communication;
- Appointing the CEO and delegating authority;
- Ensuring compliance with codes of best business practice, corporate governance regulations and all relevant laws;
- Balancing the interests of all stakeholders of the Group;
- Ensuring that succession plans for the executive directors and senior management are maintained;
- Approving and reviewing Group policies and
- establish, maintain and set terms of reference for all Board committees.

INFORMATION REQUIREMENTS AND PROFESSIONAL ADVICE

In order to make informed decisions, it is essential that directors have sufficient information relating to matters under discussion. The Board continuously assesses the information requirements of directors to enable them to perform their duties and fulfil their obligations and responsibilities.

The directors are entitled to seek independent professional advice at the Group's expense concerning Group affairs. All Board members have unrestricted access to the services of the Company Secretary as well as unrestricted access to the Group's records, property portfolio information and all other relevant documentation. Non-executive directors have access to management at any time.

BOARD EVALUATION

The Board assesses its performance and that of its individual directors, as well as their independence, on an ongoing annual basis. During the period under review an informal assessment was conducted by the Board of its own performance and effectiveness, as well as the performance and effectiveness of the various committees and individual directors.

Matters considered in this assessment included:

- Composition and performance of the Board as an entity;
- Board dynamics and role of the Chair;
- Whether individual members are effective in holding their views and resisting pressure from others;
- Quality and value of directors' contribution in respect of knowledge, strategy and risk management;
- Communication and interpersonal relationships;
- Performance and contributions in relation to problem solving; and
- Performance of directors against objectives and performance targets set.

None of the directors raised major concerns in respect of the functioning of the Board or any of its committees during the assessment.

Corporate Governance and Risk Management (Continued)

INDEPENDENCE OF THE DIRECTORS

The Board's independence from the Group's executive is ensured by:

- Separation of the roles of the Chair and CEO;
- The Board, as well as all Board appointed committees, being dominated by a majority of independent non-executive directors;
- An external independent annual evaluation of the independence of non-executive directors; and
- Independent professional advice concerning all affairs of the Group being available to all directors at the Group's expense.

MEETINGS HELD DURING THE YEAR ENDED 30 JUNE 2018

Member	Board	Audit and Risk Committee	Remuneration Nomination and Human Resources Committee	Social and Ethics Committee	Investment Committee
Chair	D Torricelli	H Hartley	P Nucci	P Nucci	H Hartley
Non-Executive Directors					
D Torricelli	8/8	5/5	2/2	2/2	1/1
H Hartley	8/8	4/5*	2/2	2/2	1/1
P Nucci	6/8**	4/5*	2/2	2/2	1/1
Executive Directors					
B C Carleo	8/8	4/5*	2/2 [#]	2/2	1/1
J E Smith	8/8	5/5 [#]	2/2 [#]	2/2	1/1

* absent with prior apology

by invitation

** Resigned

Board meetings are held at least quarterly, with additional meetings called where circumstances necessitate. During the year under review eight Board meetings were held, including a special strategy meeting, the attendance at which is set out above. Effective chairmanship is exercised and a formal agenda, raising issues that require attention, is dispatched timeously to every director. Sustainable development, risk, financial and legal matters are routinely included in the Board papers. This ensures that proceedings are conducted efficiently and all appropriate matters addressed. Meetings are not dominated by one person or group of persons; rather the interests of all stakeholders remain at the core of all decisions.

COMPANY SECRETARY

The Company Secretary is responsible for the duties set out in Section 88 of the Companies Act. Acorim Proprietary Limited ("Acorim"), represented by Natasha Petrides, is the appointed Company Secretary. Acorim advises both listed and non-listed clients in accordance with the Companies Act, JSE Listings Requirements and King IV recommendations.

The Board is satisfied that Acorim has the required knowledge, skills and discipline to perform the functions and duties of the Company Secretary. The Board has concluded that Acorim maintains an arm's length relationship with the Group and its Board. It is not a director of the Company, nor does it have any other interests or relations that may affect independence. In making this assessment the Board considered the independence of Acorim's directors, shareholders and employees as well as Acorim's collective qualifications and track record.

DIRECTORS' DECLARATIONS AND MANAGEMENT OF CONFLICTS OF INTEREST

When directors become aware that they have a direct or indirect interest in an existing or proposed transaction with the Group they notify the Chair of the Board accordingly.

All directors have an obligation to update any changes in these interests before, or at, each Board meeting.

Any potential professional conflict of interests such as a directorship in another company which is tabled for discussion, is disclosed by the director concerned and noted in the minutes. They are then required to recuse themselves from any discussions and decisions on matters in which they have identified a conflict of interest. This process was adhered to for the year under review.



KEY ACTIVITIES 2018

During the review year, the Board performed the following key activities, including consideration and approval of:

- The audited annual financial statements, interim unaudited financial statements, annual report commentary, Group portfolio property valuations, as at 31 December 2017 and 30 June 2018 and the interim and final shareholder distributions for the year ended 30 June 2018;
- The purchase of an additional 7.753% in Pilot Peridot an associated company for R13.2 million, increasing Putprop's co-owner shareholding in Pilot Peridot;
- The purchase of an additional 17.946% in Belle Isle for R3.6 million bringing the groups holding to 1.264%
- The review of the Group's approach to financial gearing with approval given to the executive to maintain finance of up to 35% of net asset value;
- Review of the proposed new vision and strategy document of the Group;
- Review and approval of feasibility studies for potential development properties in Mamelodi Soshanguwe and Dobsonville;
- Approval of capital expenditure for the redevelopment of the Eagle Canyon property; and
- The budget for the social upliftment and responsibility programmes for the year ended 30 June 2019.

Corporate Governance and Risk Management (Continued)

BOARD COMMITTEES

Delegation of authority

To assist the Board in discharging its collective responsibilities, certain Board functions have been delegated to the Audit and Risk Committee, Remuneration, Nomination and Human Resources Committee, Social and Ethics Committee and the Investment Committee. The granting of such authority to Board Committees does not release the Board of its responsibility for the discharge of its duties to the Group's shareholders.

Each committee acts within the ambit of clearly defined terms of reference as determined by the Board and the appropriate approved charter. These approved charters are subject to change as and when so required by the Board to accommodate the changing needs of the Group.

These Board Committees meet independently and provide detailed feedback to the Board via their chairpersons. The committees can make recommendations to the Board. All committee meetings are minuted and directors may raise questions arising from these minutes. The various chairpersons have confirmed that the terms of reference have been materially complied with.

The activities of all the Committees are reviewed by the members via an annual self-assessment exercise. This review is carried out by the Company Secretary. The Board is provided with regular reports by the Committee on Putprop's financial results, accounting policies, internal controls, financial reporting practices and identification of exposure to any significant risk.

AUDIT AND RISK COMMITTEE

Members: H Hartley (Chair), P Nucci*, D Torricelli

*Resigned 18 May 2018

During the year under review the committee comprised of three independent non-executive directors. The committee met five times during the year with the Group's executive directors as well as the external auditors, present as invitees. The Company Secretary attends as secretary to this committee. The table included on page 44 of this report references attendance. The AR performs its review function over all of Putprop's operations and its report in this regard is set out on pages 86 to 88.

Our approach

The Audit and Risk Committee Charter provides clear terms of reference to the AR. The AR identifies and continuously evaluates exposure to significant risks and reviews the appropriateness and adequacy of the systems of internal finance and operational controls. In addition, the AR reviews accounting policies and financial information issued to the public and provides for effective communication between directors and external auditors.

The AR's charter also prescribes that sessions may be held with the external auditors with no management present, to ensure that matters are considered without undue influence. The external auditors have unlimited access to the committee's chair.



The objective of the AR is to assist the Board in discharging its duties including but not limited to:

- the safeguarding of assets;
- the operation of adequate systems and control processes;
- the preparation of accurate financial reports and statements, complying with all relevant corporate disclosure requirements and accounting standards;
- review and submission to the Board of the portfolio valuation carried out by the executive directors in December as well as review and submission of the external valuation of the portfolio performed in June;
- approving the terms of engagement and remuneration of the external auditors;
- reviewing current and planned developments in accounting and auditing standards;
- overseeing the development and annual review of, a formal policy and strategy for the management of risks associated with the Group's operations;
- monitoring the implementation of this formal policy by means of risk management systems;
- identifying and analysing risks faced by the Group and assessing the impact, if any, on the Group's continued operations;
- making recommendations to the Board concerning risk tolerance levels and expressing formal opinions as to the process and effectiveness of risk management;
- assessing and reviewing the going concern status, capital adequacy, and solvency and liquidity of the Group;
- setting appropriate risk limits and controls and monitoring such risks and adherence to limits; and
- reviewing the appropriateness of the expertise and experience of the Financial Director and the finance function.

Committee members have unlimited access to all information, documents and explanations required in the discharge of their duties. This authority has been extended to the external auditors. The committee sets principles for recommending the use of external auditors for non-audit services, to ensure that such services do not substantively undermine their independence as external auditors.

The committee has the co-operation of all directors, management and staff.

Internal control

The Board is responsible for oversight over the Group's systems of internal control and to keep its effectiveness under review. The Board, supported by the AR reviews the Group's risk profile annually. Responsibility for the adequacy, extent and operation of these systems is delegated to the executive directors. To fulfil this responsibility, accounting records and appropriate systems of internal control are developed and maintained.

The directors' report states that the Group's internal controls and systems are designed to provide reasonable, but not absolute, assurance as to the integrity and reliability of the financial statements, to safeguard, verify and maintain accountability for its assets and to detect and minimise fraud, potential liability, loss and material misstatement, while complying with applicable laws and regulations. The Board regularly receives reports from specialist financial and property advisors setting out key financial performance indicators. Monitoring of these key indicators allows the Board to consider relevant control issues.

The directors have satisfied themselves that the systems and procedures of internal controls are implemented, maintained and monitored for the year ended 30 June 2018. No indications exist that these systems of internal control were not appropriate. Furthermore, no material loss, exposure or misstatement arising from a material breakdown in the functioning of the systems has been reported to the directors in respect of the year under review.

Risk management

The Group has a formal policy document setting out its approach to and control of risk management.

The Board, through its executives and the AR, together with the systems of internal control, identifies and manages significant Group risks on an on-going basis. This enables it to discharge its responsibilities for ensuring that the wide range of risks associated with its operations are effectively managed in support of the creation and preservation of all stakeholders' value. Putprop, through the AR, monitors the Group's risk management policy.

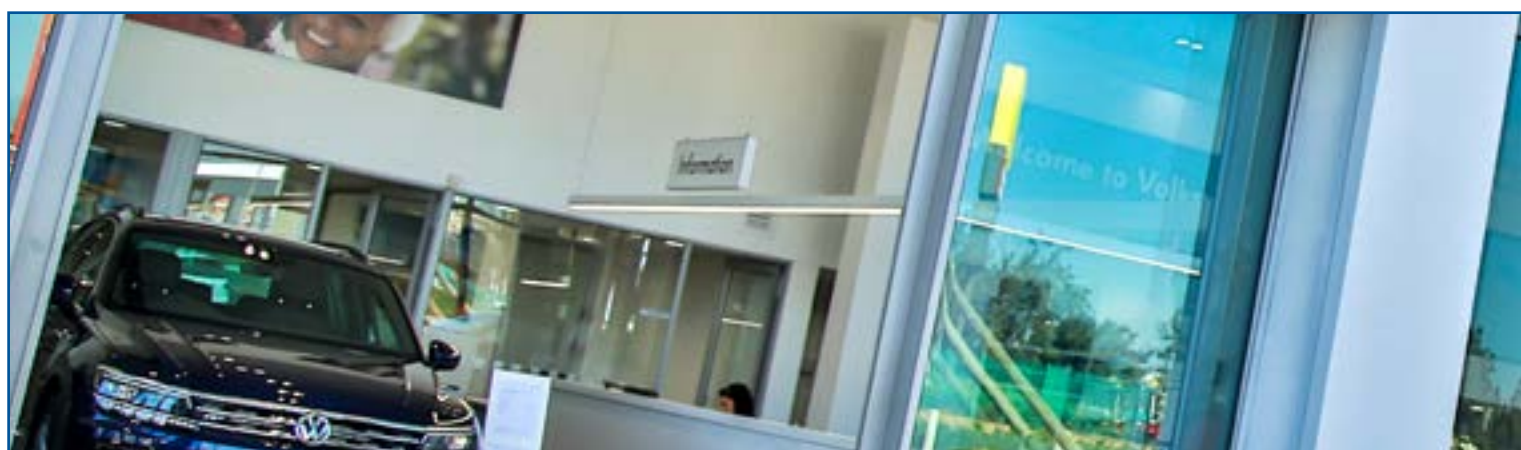


Corporate Governance and Risk Management (Continued)

Risk matrix

The risk management framework for this reporting period which has been presented to the AR and monitored during the year ended 30 June 2018 is detailed below.

RISK	Level	BUSINESS IMPACT	CORRECTIONAL STRATEGY
Overdependence on a single tenant– loss or failure to renew	Medium	Substantial operational losses in Group's industrial sector with significant loss of income	Continuation of diversification into properties with diverse tenants. Staggering of lease expiry profile
Inability to retain and develop the management team	Medium	Dividend distributions impacted operational losses and system failures	Implementation of attractive remuneration structures
Increasing compliance requirements with various Legislative acts	Medium	Possible failure of compliance and effects thereof	Internal control policies continuously renewed and updated, regular communication with industry experts
Ability of tenants to absorb the increasing cost of occupancy from Municipal utilities and related costs	Medium	Increase in defaults, non-recoveries of all operating costs, lower yields	Monitoring of existing tenants' operations with assistance given to tenants who are considered beneficial to the Group
Economic climate challenges resulting in increased probability of business failures- and loss of income	High	Impact on growth and distribution	Close monitoring of existing tenants' operations with assistance given to tenants who are considered beneficial to the Group
Significant volume of leases expiring in a specific period	Low	Impact on growth and distribution	Lease expiries monitored with negotiations with tenants held in advance of expiry and early re lets attempted
Inability to maintain dividend distribution growth	Low	Loss of confidence in the market	Active management of portfolio and operation efficiencies
Political risk and labour unrest	Low	Damage to properties	SASRIA insurance in areas the Group operates
Inconsistent supply of critical services (water, electricity) and a deterioration in local authorities' service delivery	Low	Tenant loss of income and retention. Limit on growth	Installation of generators and water tanks for large tenants



**RISKS MATRIX** (Continued)

RISK	Level	BUSINESS IMPACT	CORRECTIONAL STRATEGY
Physical deterioration of properties, large percentage of property portfolio assets old, with resultant high future maintenance	Medium	Difficulty to grow quality portfolio	Property managers perform regular property asset evaluations with rolling maintenance program
Interest rate risk	Low	upwards movement resulting in difficulty in accessing capital markets	Active strategy to maintain low gearing levels, funding diversification
Vacancy risk	High	high vacancy levels impacting on rental income	Ensure asking rentals are market related, with flexibility on rental levels if necessary. Strong relationship with brokers, leasing incentives
Prevailing Economic conditions	Medium	Current economic growth of 1.2% impacts consumer spending patterns	National tenant ratio to be high to negate risk
Liquidity	Low	Insufficient liquidity at operational levels	Regular cash forecasts and loan maturity managed
Property Operational risks	Low	Loss of earnings due to poor processes and controls	Monthly risk management processes in place, regular reviews of portfolio
IT failures or hacking confidential information	Low	Daily operational failures, loss on critical data	Daily backups on site and in the cloud Adequate fire walls in place
Fraud and Errors	Low	Fraudulent actions by employees or executives	Internal controls reviewed regularly. Micro management by senior executives

Having regard for the size and life stage of the Group a dedicated internal audit function is not considered appropriate at this time. The Committee believes that no additional risk results from this omission. In addition, the Committee and Board are confident that the current IT procedures that are in place are appropriate.

Going concern

The AR has reviewed a documented assessment, including key assumptions prepared by Management, of the going concern status of the Group. The Board's statement on the going concern status of the Group, which is supported by the AR, appears on page 76.

The AR report is set out on pages 86 to 88.



Corporate Governance and Risk Management (Continued)

INVESTMENT COMMITTEE

Members:

H Hartley (Chair), J E Smith, B C Carleo, P Nucci*, D Torricelli,
*Resigned 18 May 2018

The committee met two times in this review period. All members were present.

The Investment Committee ("IC") is comprised of two executive directors and three non-executive directors.

All property acquisitions, disposals and capital expenditure proposed by the Group's executive are considered by the IC. The IC can approve such acquisitions, disposals and capital expenditure up to pre-set limits, without further Board approval. However, all acquisitions, disposals and capital expenditure are forwarded to the Board for formal ratification.

The IC's duties and responsibilities are governed by a charter, which is reviewed annually by the Board.

The main responsibilities of the IC are:

- considering the viability of capital projects, acquisitions and disposals of property in line with the Groups strategy objectives and defined parameters;
- considering the financial viability of refurbishments, upgrades, extensions and improvements to existing properties in the portfolio;
- authorising transactions and recommending development proposals to the Board for ratification; and
- reviewing and approving the sales mandate of properties to be sold, if any.

A full due diligence is undertaken and reviewed by the committee before any property is considered for acquisition.

The duties and responsibilities of the committee do not reduce the individual and collective responsibilities of the Board in respect of the carrying out of its individual and collective fiduciary duties and legal obligations.

REMUNERATION, NOMINATION AND HUMAN RESOURCES COMMITTEE

Members: D Torricelli (Chair Nomination), H Hayden, P Nucci *(Chair Remuneration)

*Resigned 18 May 2018

During the year under review the RNHR comprised of three independent non-executive directors. The CEO and the CFO attend meetings by invitation, but are not present when discussions pertaining to their remuneration and performance are discussed. The committee meets twice a year.

The RNHR meets to discuss matters concerning director's remuneration, the determination of general staff salary increases, bonus payments, appointment of directors and senior management, and any other relevant issues. The terms of the Committee's mandate include the following:

- developing the Group's remuneration policy;
- ensuring that the remuneration policy is applied consistently throughout the Group;
- recommending bonuses and annual percentage salary increases for staff and executives to the Board;
- ensuring that Putprop remunerates its directors and executives fairly and responsibly; and
- ensuring that the disclosure of remuneration is accurate, complete and transparent; and developing performance measurement policies.

For more information pertaining to the RNHR's activities refer to the committee's report on pages 52 to 53.

The Group has combined the functions of the Nomination Committee and Remuneration Committee into a single entity. The Nomination Committee is chaired by the Chair of the Board when required to deliberate. The Nomination Committee meets as and when required to consider and interview candidates considered for appointment to the Board.





SOCIAL AND ETHICS COMMITTEE

Members:

N Nucci (Chair)*, H Hartley, D Torricelli, J E Smith, B C Carleo, A L Novello,

*Resigned 18 May 2018

The SE is constituted as a committee of the Board of Putprop, in terms of Section 72(4) of the Companies Act read with regulation 43 of the Companies Regulations, 2011.

The SE meets twice a year to discuss, monitor and oversee the Group activities in respect of the core values and social responsibility code adopted by the Board.

The main responsibilities of the SE are:

- promoting ethical and transparent business conduct;
- reviewing the Group's compliance with current codes of best practice and the International Labour Organisation's protocols on working conditions;
- evaluating issues and requests for corporate social investment;
- ensuring the Group promotes a positive corporate image, equality and non-discrimination in its interactions with all stakeholders; and
- actively pursuing energy efficient initiatives within its scope of operations.

The SE report is set out on pages 54 to 55.

IT MANAGEMENT

As at 30 June 2018 the Group does not have its own dedicated IT infrastructure. However, the AR ensures that security policies, daily offsite backups and suitable firewalls are in place. Putprop is not considered IT critical but IT remains of high importance. Eris, Sage Pastel as well as the Bidvest IT Group maintain electronic records on behalf of the Group which include financial, rent rolls and other documents.

All accounting record and critical documents are backed up daily on an external server, as well as a cloud-based security system.

EXTERNAL AUDIT

The independence of the external auditors is recognised and annually reviewed by the AR. The external auditors are invited to attend all AR meetings and have unrestricted access to the Chair of the AR, as well as to the Chair of the Board.

STAKEHOLDER COMMUNICATIONS

The Group subscribes to the principles of objective, honest, transparent, timeous, relevant and understandable communication of both financial and non-financial matters. Communication to the public, shareholders and other stakeholders embodies the principles of balanced reporting and substance over form.

The Board acknowledges its duty to present a balanced and understandable assessment of the Group's position in reporting to all of its stakeholders.

CODES OF ETHICS AND CONDUCT

Putprop has formal codes of ethics and conduct that have been adopted by the Board as well as the SE and communicated to all staff. These codes are consistent with the highest principles of integrity, honesty, ethical behaviour and compliance with all laws and regulations. These codes require all directors, officers and staff to adhere to their standards and are reviewed by the SE on an annual basis.

The Board is not aware of any transgressions of the codes of ethics or conduct for the 2018 financial year. No Issues of non-compliance or prosecutions have been actioned against the Group.

LIABILITY INSURANCE

Liability insurance providing cover for all members of the Board, both executive and non-executive directors as well as prescribed officers, are in place to cover potential legal action against them by third parties.



Remuneration, Nomination and Human Resources Committee Report

OVERVIEW, TERMS OF REFERENCE AND RESPONSIBILITIES

The main objectives and terms of reference of the Remuneration, Nomination and Human Resources Committee ("RNHR Committee") are:

- Attract and retain talent at every level of the organisation;
- Motivate and synergise such talent with the core principles and objectives of the Group;
- Establish a clear differentiation between executive and all staff with regard to performance;
- Recognition of high performance, standard performance and under performance in respect of all job specifications and remunerate and reward accordingly;
- Follow an active approach to drive a high performance culture;
- Adhere to legislative and regulatory requirements relating to remuneration policies in South Africa. All standards, taxes and statutory deductions are applied or deducted as required;
- Under performance will not be rewarded and where possible corrective measures will be employed to conform to the standard;
- Competitive and compliance remuneration packages and rates of pay must be enforced to be able to attract and retain staff; and
- Remuneration policies and the process of determining pay levels and packages to be transparent and open.

MEMBERSHIP AND MEETING ATTENDANCE

All members of the RNHR Committee are non-executive directors, following King IV recommendations. However, the CEO and CFO attend the meetings by invitation, as non-voting attendees.

Members	Period served
D Torricelli (Chairman, Nomination)	Appointed March 2016
P Nucci* (Chairman, Remuneration)	Appointed March 2016
H Hartley	Appointed March 2016

* Resigned 18 May 2018

The curricula vitae of the members are set out on pages 32 to 33. The Committee held two meetings during the period. All meetings were scheduled in advance. Meeting attendance is set out on page 44.

The Committee believes that remuneration is a key instrument to attracting and retaining competent and skillful individuals in order to become more efficient and ultimately increase returns for all our stakeholders.



YEAR UNDER REVIEW

Remuneration committee

The RNHR is responsible for assisting the Board to ensure that Putprop's remuneration philosophy is applied consistently throughout the Group, that Putprop remunerates its non-executive and executive directors fairly and responsibly and to ensure that the disclosure of such remuneration is accurate, complete and transparent. The RNHR is satisfied that it fulfilled its mandate during the reporting period. The RNHR will continue to ensure that the remuneration policy is aligned with furthering Putprop's strategic objectives.

Shareholders will be asked to pass resolutions at the AGM approving the non-executive directors' fees as well as separate non-binding advisory votes on the remuneration policy and remuneration implementation report.

Background to the remuneration policy

Putprop's remuneration policy is informed by the need to attract, retain and incentivise high-quality staff in order to grow the business and create sustainable value for its stakeholders. In setting remuneration, the Board considers various internal and external factors including market benchmarks, the shortage of skills in the market and the social responsibility to reduce income inequality.

While external remuneration consultants have not been used, the Board has referred to reports from top auditing firms as guidance.

In line with the King IV recommendations, the remuneration policy has been updated to provide for shareholder engagement should more than 25% of shareholders vote against the policy and/or the implementation report at the upcoming AGM. In this event shareholders will be called upon to explain their reasons for voting against the policy and/or its implementation and these responses will be discussed by the RNHR and the Board. The Board will then decide on the best way to address the responses and identify where amendments to the policy are required. A report will be provided to shareholders regarding the engagements and actions taken.



Overview of the remuneration policy

Putprop's remuneration policy is based on the principle that total rewards are set at levels competitive within the relevant market.

Putprop's remuneration structure generally includes a base salary and benefits. The remuneration of Putprop's executives is structured as follows:

Base salary: The base salary is set to be competitive when comparing the remuneration for similar positions in companies comparable in terms of size, market sector and business complexity. Base salaries are reviewed annually, considering the performance of the individual, Putprop's performance and any changes in responsibility.

Employment benefits: Benefits include medical aid and retirement fund membership.

The executives are bound by fixed-term contracts requiring notice periods of three months. There are no arrangements in respect of any payments upon termination of employment, except for the CEO, and Putprop has also not paid any sign-on, retention or restraint payments during the reporting period.

Executives are assessed based on the annual performance of Putprop as well as their individual performance.

Non-executive directors are remunerated for their services as directors and these fees are submitted to shareholders for approval each year. These fees are based on per-meeting attendance.

Implementation report

The remuneration policy has been implemented as per the above.

The total remuneration paid to non-executive and executive directors can be found on page 84 of this integrated annual report.

Nomination committee

The nomination committee met once during the current review period to action new appointments to the Board following the resignation of Mr Paul Nucci on 18 May 2018.

After careful consideration of various candidates presented to the committee including face to face meetings held with the candidates shortlisted, the committee recommended the appointment of two independent non-executive directors as well as an additional executive director.

The board approved this recommendation at its meeting held on 6 June 2018. Refer SENS dated 7 June 2018.

The RNHR committee is of the opinion that the Board with the additional new appointments, has the necessary management, property expertise and financing skill sets to discharge its duties as required under King IV.

The RNHR Committee on a previous instruction from the Board continued to investigate alternative performance related incentive and share schemes as well as other possible options during this review period. No formal recommendation has been approved for forward consideration to the Board.

The Committee would like to extend its appreciation to the management and staff for their assistance during the year under review. In addition, the Committee thanks Mr Paul Nucci for his contributions during his chairmanship of the Remuneration Committee and wish him well in the future.



H Hartley
Chair
Remuneration Committee
Sandton
22 August 2018



D Torricelli
Chair
Nomination Committee
Sandton
22 August 2018

Social and Ethics Committee Report

OVERVIEW

TERMS OF REFERENCE

The SE committee has adopted a charter setting out its formal terms of reference which has been approved by the Board in the review period. These terms of reference are reviewed on a regular basis.

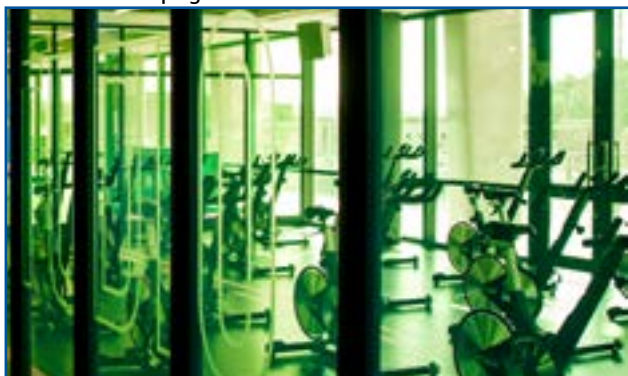
MEMBERSHIP, MEETING ATTENDANCE AND EVALUATION

The SE Committee consists of two executive, one prescribed officer and three independent non-executive directors. At 30 June 2018 the SE Committee comprised the following:

Members	Period served
B C Carleo	4 March 2013 to present
J E Smith	4 March 2013 to present
A L Novello	Appointed 1 July 2018
P Nucci* (Chairman)	Appointed March 2016
H Hartley	Appointed March 2016
D Torricelli	Appointed March 2016

* Resigned 18 May 2018

The curriculum vitae of the members of the SE Committee are set out on pages 32 to 34.



ROLES AND RESPONSIBILITIES

The SE Committee performs a monitoring and oversight role in respect of issues detailed in the Companies Act 2008, as well as guidelines set out in King IV, and the Charter as adopted by the Board. The SE Committee's main mandate and responsibilities are to monitor the Group's activities having regard to any relevant legislation, other legal requirements or existing codes of best practice, including:

- Ensuring that the Group supports, respects and complies with the principles, as set out in the International Labour Organisations and UGCP'S various directives on working conditions, health and public safety;
- Compliance with the Employment Equity Act;
- Accreditation efforts in respect of Broad Based Black Economic Empowerment (B-BBEE);
- Good corporate citizenship;
- Reviewing the Code of Conduct and Code of Ethics for the Group annually
- Environmental, health and public safety, to include the impact of the Group's activities and of its products and services;
- Consumer relationships, and compliance with consumer protection laws;
- Labour and employment acts;
- Raising matters of concern and importance within its mandate to the attention of the Board; and
- Reporting to the shareholders of the Group at the AGM.

The Committee met twice during the review period identifying the key points of its role and responsibilities as identified above. The charter as approved by the Board was also reviewed.





SOCIAL AND ETHICS KEY POINTS

• CORPORATE CITIZENSHIP

The Group aims to be a good corporate citizen, both in respect of community and social involvement as well as environmental issues arising out of the operations of the Group. We wish to be active in all the communities in which we operate. Our report on our community and social upliftment efforts appears on page 72. The Group's impact on the environment and relevant health and safety issues is reported on page 71.

• EMPLOYMENT EQUITY, B-BBEE AND TRANSFORMATION

Due to the small staffing complement and the present ownership structure, the status of the Group at present is that of a Non-Compliant Contributor. The Board feels however that it is essential that progress be made in the Skills Development and Preferential Procurement elements of the Code with immediate effect and that potential management input elements be addressed by means of a formal process in the review periods going forward.

The Board has therefore identified transformation as a critical area requiring further research, discussion and action in the years ahead.

• GLOBAL PROTOCOLS

The Group supports and applies the principles and guidelines as set out in the United Nations Global Compact Code and the International Labour Organisation's various directives on working conditions.

• WORK ENVIRONMENT

The Group pays particular attention to its workforce. Although very small, at six employees as at 30 June 2018, this complement is considered the Group's biggest and most important asset. Friendly and positive labour policies form one of our core value statements.

• SOCIAL INVESTMENT

A register of sponsorship and humanitarian investments is maintained by the Group. As at 30 June 2018 the total value of the social sponsorship and donations was R1 495 000 (2017: R1 142 000). For details of humanitarian investments made for this review period refer to the community report set out on pages 72 to 73 of this report.

The Committee believes that it has discharged all of its duties and obligations as required by the Group's formal terms of reference as contained in its Social and Ethics Charter.

D Torricelli
Board Chair
Social and Ethics Committee

Sandton
22 August 2018





SUSTAINABILITY

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- 70 Report to Our Tenants and Service Providers
- 71 Environmental Sustainability Report
- 72 Report to The Community - Social Initiatives





Sustainability

Portfolio Review

OVERALL MARKET REVIEW

Statistics as reported by SAPOA for the South African Property market reflected a contraction for the 2018 calendar year to date with a 18.1% negative total return (income and capital) (2017: 11.1%). This was as a result of possible irregularities in some of the larger listed property groups as well as following the trend of the general economy which continues to struggle on several fronts. Most commentators predict no or minimal growth in the economy for the 2018/19 period. Both capital and income returns are expected to remain flat or possibly decline further as we head deeper into 2018/19.

Income-wise, retail properties reflected a decrease achieving returns of below 8% followed by the office sector at 7% however, industrial sector is stable at 10%.

Vacancies are a major cause for concern with office vacancies at 11.1%, just off all-time highs. Industrial was the best performer at 3.8% with the retail segment increasing to 5.1%.

The headaches of retail property owners should worsen, according to the latest Rode's Retail Report. The report highlights the continued decline of trading densities amid slow sales growth and oversupply. "Retail sales growth is slowing as consumers are buckling under financial pressure due to a moderation in salary growth and rising expenses".

The office sector has a substantial new development supply scheduled to come on stream in the next 18 months and the possibility that vacancies in this segment will remain high for a considerable period is strong.

A noticeable trend was the higher operating costs, in particular that of municipal fixed and consumption costs, arising from high Eskom tariffs. Operating costs increased as a result to around R28 per m² from R25 per m².

This upward trend is expected to continue in 2019.

Putprop's exposure to the industrial sector (revenue) stands at over 44% which positions the Group in a relatively stable environment going forward.



PORTFOLIO SUMMARY

The Putprop property portfolio at 30 June 2018 consisted of 16 properties (2017: 17) with a total market value of R592.9 million (2017: R582.7 million) and gross lettable area of 79 702m² (2017: 82 890m²). The portfolio is valued annually by an independent external valuer. Refer note 16.

The average annualised property yields per sector are as follows:

Industrial	Commercial	Retail
10.5%	9.0%	7.9%

FINANCIAL PERFORMANCE SUMMARY FOR THE TOTAL PORTFOLIO

	2018 R'000	2017 R'000	Change %
Gross property Revenue	72 971	73 865	-1.2
Property expenses	(19 966)	(20 074)	0.5
Net property Income	53 005	53 791	-1.5
Property expense Ratios (%)	27.4	27.2	-0.7
Weighted average rental m ² (combined)	60.6	72.1	-16.0

GLA summary	GLA m ²
Balance at 1 July 2017	82 890
GLA adjustments	(2 788)
Disposals	(400)
Acquisitions and extensions	-
Balance at 30 June 2018	79 702

Vacancy summary	Area m ²	%
Balance at 1 July 2017	14 328	17.9
Leases expired or terminated early	13 001	16.3
Renewal of expired leases	-	-
Vacant property sold during the year	(400)	(0.5)
Tenants vacated	4 125	5.2
New letting of vacant space	(6 728)	(8.4)
Balance at 30 June 2018	24 326	30.5



TENANTS

National tenants comprise 29% of the portfolio tenant profile (Standard Bank, Liberty, Massmart and Supergroup). The average property value was R37.1 million (2017: R32.4 million). Geographical and sectoral distribution is reflected in the graphs on pages 60 and 62. The portfolio by value reflects a more balanced outlook amongst sectors in this reporting period, with industrial and retail weightings reflected at 39% each and commercial 22%. See graph on page 60. At present the portfolio continues to be predominantly situated in Gauteng with one property in the North-West and one in Mpumalanga. Again, should opportunities present themselves for investment in other regions, these would be investigated.

TOP 6 TENANTS -GROSS MONTHLY RENTALS FOR PERIOD

	Tenant	%	Revenue R'000
1	Larimar Limited	38	1 760
2	Cavi Holdings	15	723
3	Builders Warehouse	8	370
4	Bidvest	6	261
5	Super Group	5	236
6	Standard Bank	4	198

	Number of properties	Gross lettable area m ²	Vacancy m ²	Vacancy %	Value Rm	Value per m ² Rands	Average gross rental per m ² Rands*
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PROPERTY PORTFOLIO

Overview for the year
ended 30 June 2018

Commercial portfolio

Office	2	7 005	–	–	127 800	18 244	133.8
Total commercial	2	7 005	–	–	127 800	18 244	133.8

Retail portfolio

Retail/motor related	4	20 395	–	–	233 700	11 458	76.3
Total retail	4	20 395	–	–	233 700	11 458	76.3

Industrial portfolio

Office/warehousing	2	11 325	11 325	14.2	30 000	2 649	31.8
Retail warehousing	1	3 640	--	–	16 300	4 478	42.1
Remanufacturing	1	6 728			25 100	3 730	28.0
Low grade industrial	3	8 049	–	–	65 600	8 150	78.3
Development Land	1	-			18 000	-	-
High grade industrial	2	22 560	13 001	16.3	76 400	3 387	52.6
Total industrial	10	52 302	24 326	30.5	231 400	4 080	44.7
Total Putprop	16	79 702	24 326	30.5	592 900	7 438	60.6

* Gross rental per square metre is the weighted average actual gross rental.

Portfolio Review (Continued)

'A' Large national tenants, listed tenants, governments and major franchises. These include Standard Bank, Liberty Group, Supergroup and Massmart.

GRADE:

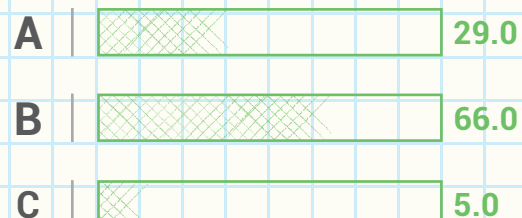
'B' Medium sized national tenants, franchises and medium to large professional firms.

GRADE:

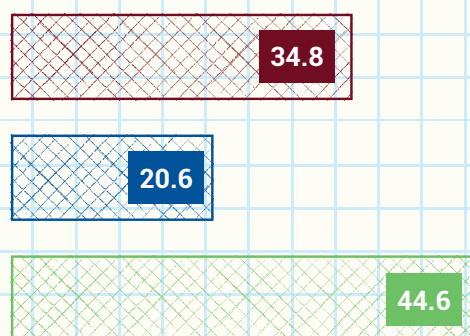
'C' All other tenants that do not fall into the above two categories.

GRADE:

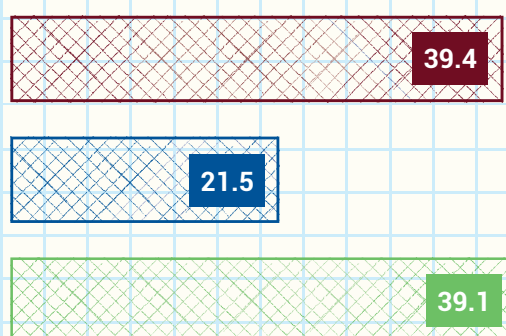
TENANT PROFILE BY GROSS LETTABLE AREA (%)



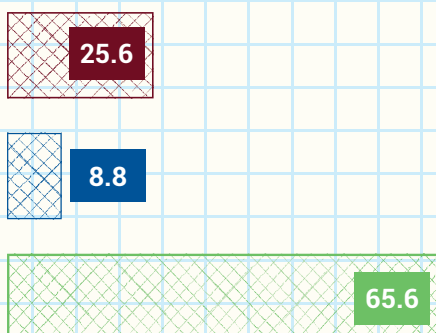
Contractual Rent By Sector (% of gross rentals)



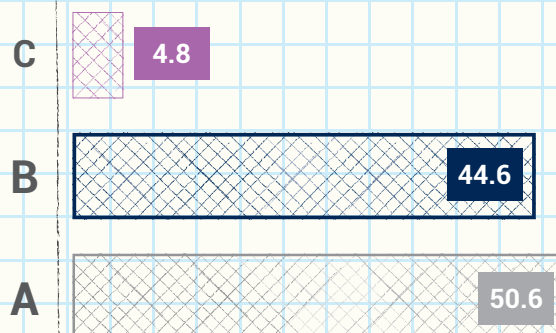
Portfolio Value By Sector (R'000)



Sectoral Profile (% of gross lettable area)



Tenant Profile By Gross Rental (%)



RETAIL



COMMERCIAL



INDUSTRIAL



LEASING ACTIVITY

Review period letting report

	Total (m ²)	Let (m ²)	Vacant (m ²)	Let (%)	Vacant (%)
At the beginning of the year - 1 July 2017	82 890	68 562	14 328	82.7	17.3
New Lets /acquisitions/upgrades		6 728	(6 728)	8.4	(8.4)
Disposals and relocations	(3 188)	(2 788)	(400)	(3.5)	(0.5)
Adjusted totals	79 702	72 502	7 200	91.0	9.0
Expired leases in period	-	(17 126)	17 126	(21.5)	21.5
At the end of the year - 30 June 2018	79 702	55 376	24 326	69.5	30.5

One of the Lea Glen properties was successfully let, the other two remain vacant. Soshunguwe was not renewed but continues to be occupied by Larimar on a monthly rental. The Mamelodi property was reclassified as vacant land due to the demolishing of the building structures situated thereon in preparation for redevelopment into a retail space.

GEOGRAPHICAL PROFILE

The majority of the Group's properties are situated in Gauteng province, with one property located in the North West and one in the Mpumalanga province. The geographical distribution is detailed below:

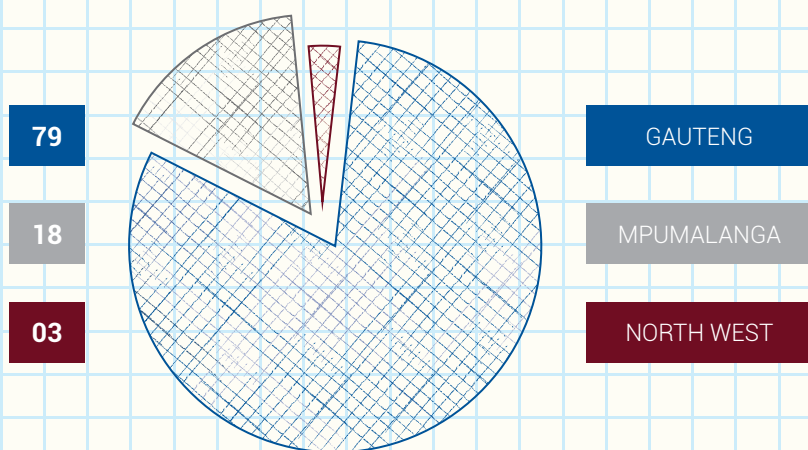
Location	GROSS LETTABLE AREA		RENT RECEIVED
	Gross lettable area m ²	Total portfolio %	Rent received R'000
Gauteng			
Midrand	3 827	4.8	2 524
Brits	13 001	16.3	2 606
Johannesburg West	29 843	37.4	14 497
Pretoria	6 604	8.2	4 156
Johannesburg South	1 585	2.1	2 059
Johannesburg Central	4 666	5.8	8 137
Soweto	3 500	4.4	3 755
Gauteng Total	63 036	79.0	37 734
North West			
Potchefstroom	2 339	3.0	3 109
North West Total	2 339	3.0	3 109
Mpumalanga			
Witbank	5 835	7.3	3 351
Secunda	8 492	10.7	9 999
Mpumalanga Total	14 327	18.0	13 350
Total	79 702	100.0	54 193



Portfolio Review (Continued)

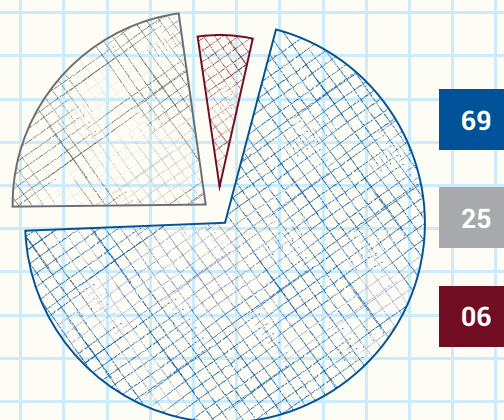
GEOGRAPHICAL PROFILE

% OF GLA



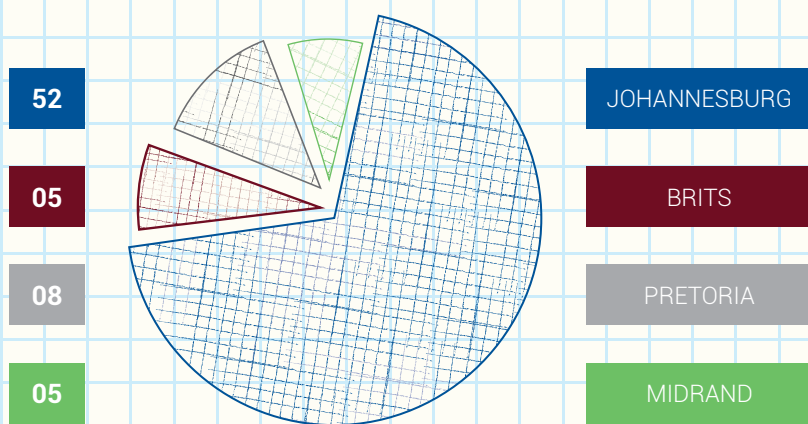
GEOGRAPHICAL PROFILE

% OF GROSS INCOME



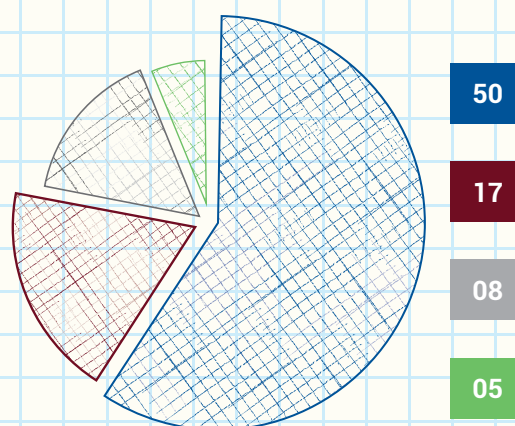
GEOGRAPHICAL PROFILE

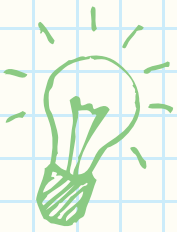
GAUTENG % OF GROSS INCOME



GEOGRAPHICAL PROFILE

GAUTENG % OF GLA



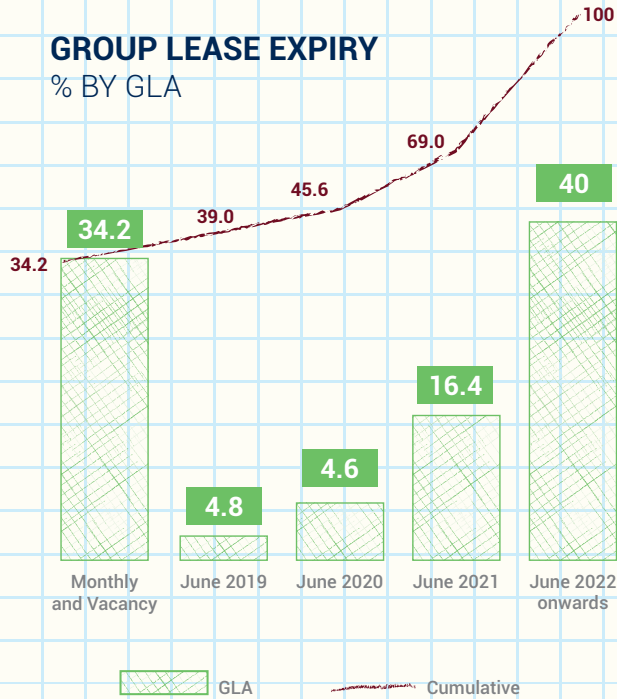


LEASE EXPIRY PROFILE

Leases expiring for the year ended June 2019 including current monthly rentals comprise 13% of the Group's current rental income and those leases expiring in the next reporting period amount to 8.5% of gross lettable area.

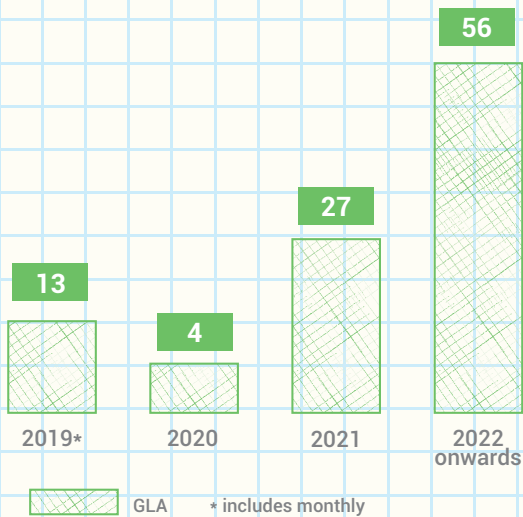
GROUP LEASE EXPIRY

% BY GLA



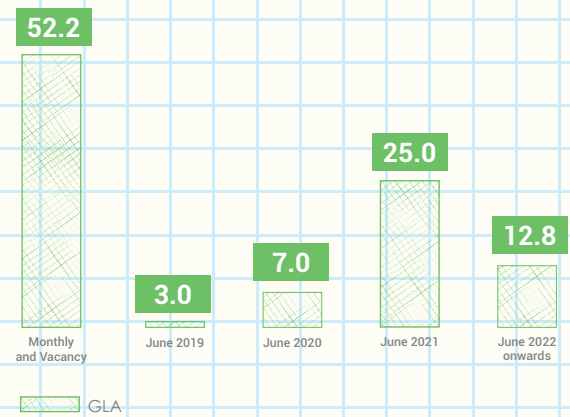
GROUP LEASE EXPIRY PROFILE

% BY REVENUE



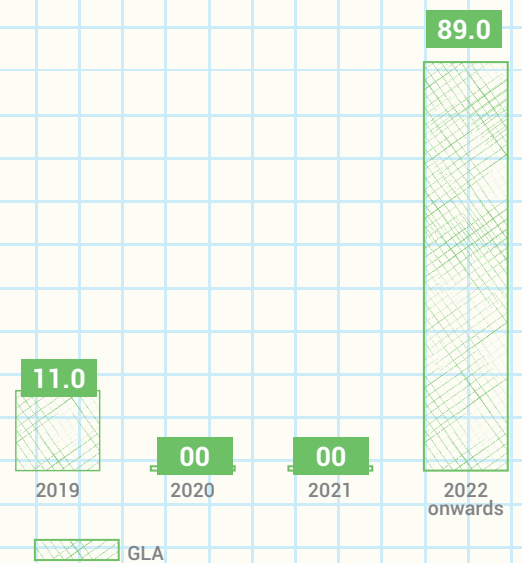
GROUP LEASE EXPIRY

% BY SECTOR - INDUSTRIAL



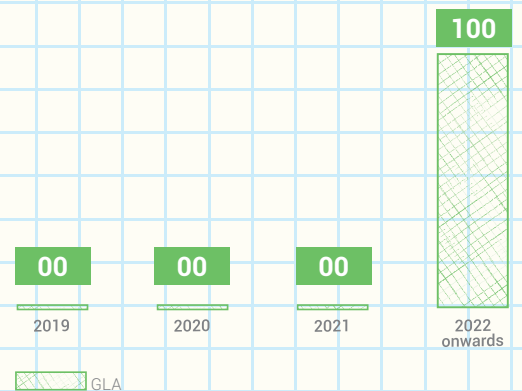
GROUP LEASE EXPIRY

% BY SECTOR - RETAIL



GROUP LEASE EXPIRY

% BY SECTOR - COMMERCIAL



Portfolio Review (Continued)

LEASE EXPIRY PROFILE – GROSS LETTABLE AREA

Year	%	Cumulative	Lettable area (m ²)
Monthly Rentals	3.7	3.7	2 964
Vacancies - June 2018	30.5	34.2	24 326
2019	4.8	39.0	3 826
2020	4.6	43.6	3 640
2021	16.4	60.0	13 059
2022 onwards	40.0	100	31 887
Total	100	100	79 702

VACANCIES

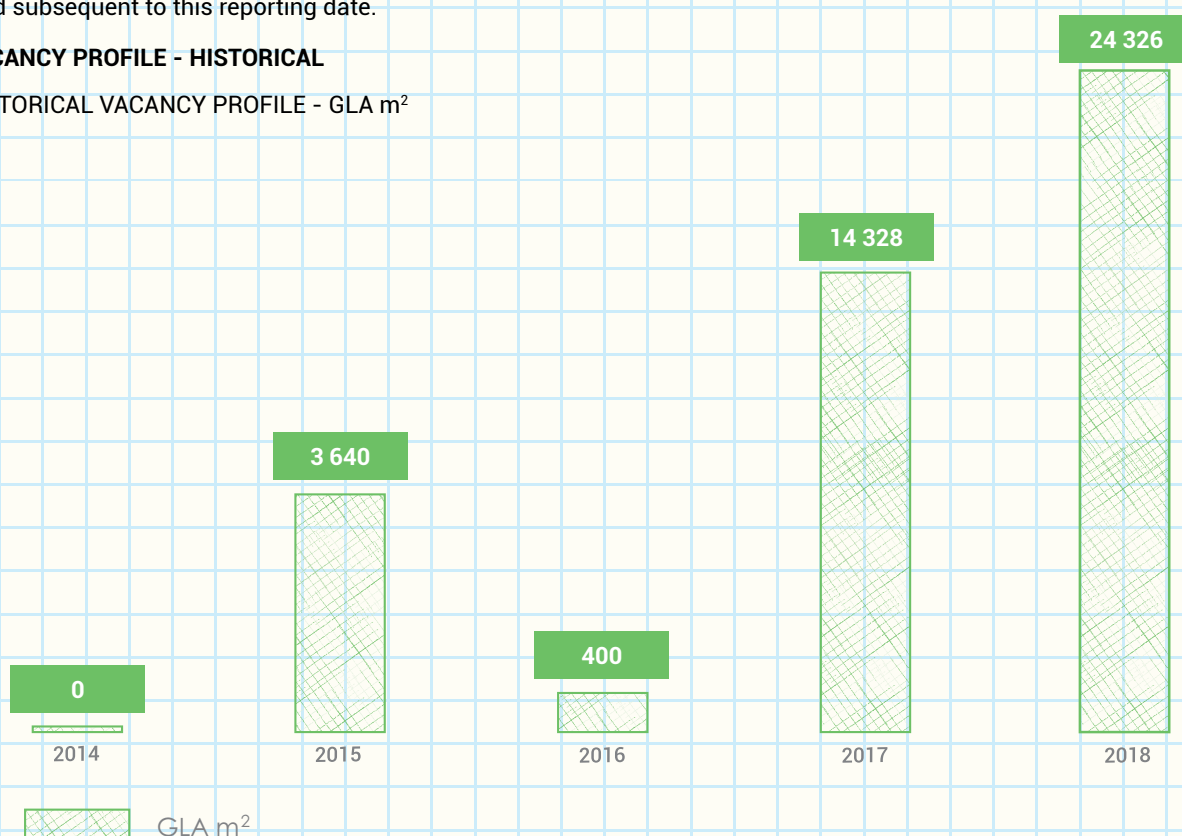
At 30 June 2018, 30.5% of the total portfolio GLA was vacant (2017: 17.3%).

Despite a focused effort by management on existing vacancies progress has been slow, with only one property re-let in the current year. In addition, the early termination in January 2018 of the property in Brits, occupied by Larimar (as previously reported on) increased the GLA vacancy rate substantially (13 000m²). A further setback was the closing down of one of our tenants in this reporting period.

It is important to note that the Brits property tends to skew the presented profile. Two of the vacant properties have been sold subsequent to this reporting date.

VACANCY PROFILE - HISTORICAL

HISTORICAL VACANCY PROFILE - GLA m²



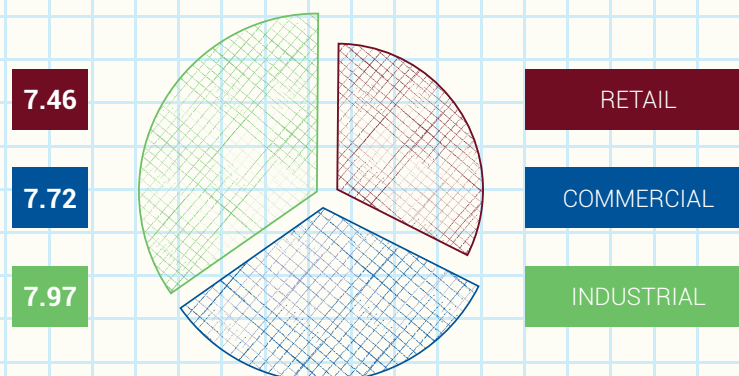
VACANCY PROFILE BY SECTOR

Sector	Gross lettable area m ²	Total of gross lettable area %
Retail	0	0
Industrial	24 326	30.5
Commercial	0	0
Total	24 326	30.5

Management continues to drive efforts to replace monthly tenanted properties with contractual rentals, and to fill vacancies in our portfolio. The current market is however challenging with a scarcity of tenants and an over supply of properties in all sectors

WEIGHTED AVERAGE RENTAL ESCALATION

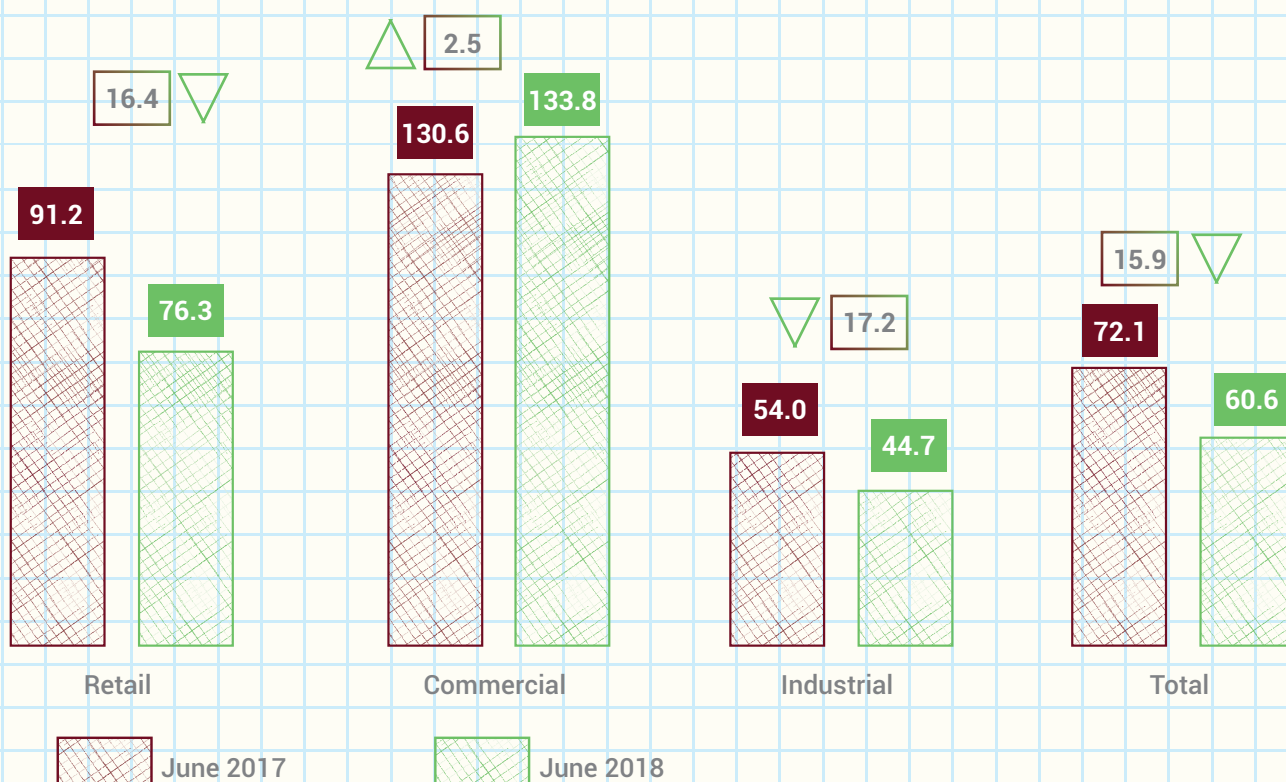
- by Sector



BASE RENTALS

The weighted average monthly base rental rates per sector, between 1 July 2017 and 30 June 2018, are set out in the graph below. Commercial sector increase at 2.5% was satisfactory. Retail and industrial segments declined by 16.4% and 15.9% respectively.

WEIGHTED AVERAGE BASE RENTALS R/M



LARGE CONTRACTS CONCLUDED

Tenant	Property	Sector	Contract Value	Lease Duration
Stainless Precision Engineering	Lea Glen 1	Industrial		5 years

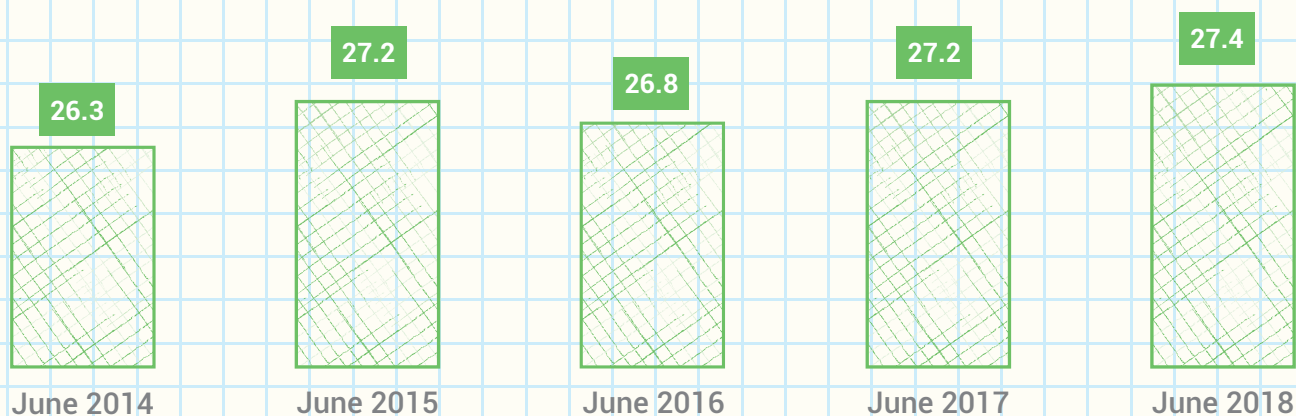
RENTAL ESCALATION

Average contractual rental of 7.5% is in line with the previous reporting period.

Portfolio Review (Continued)

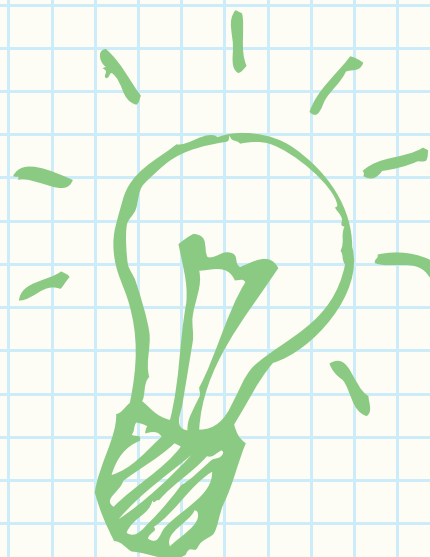
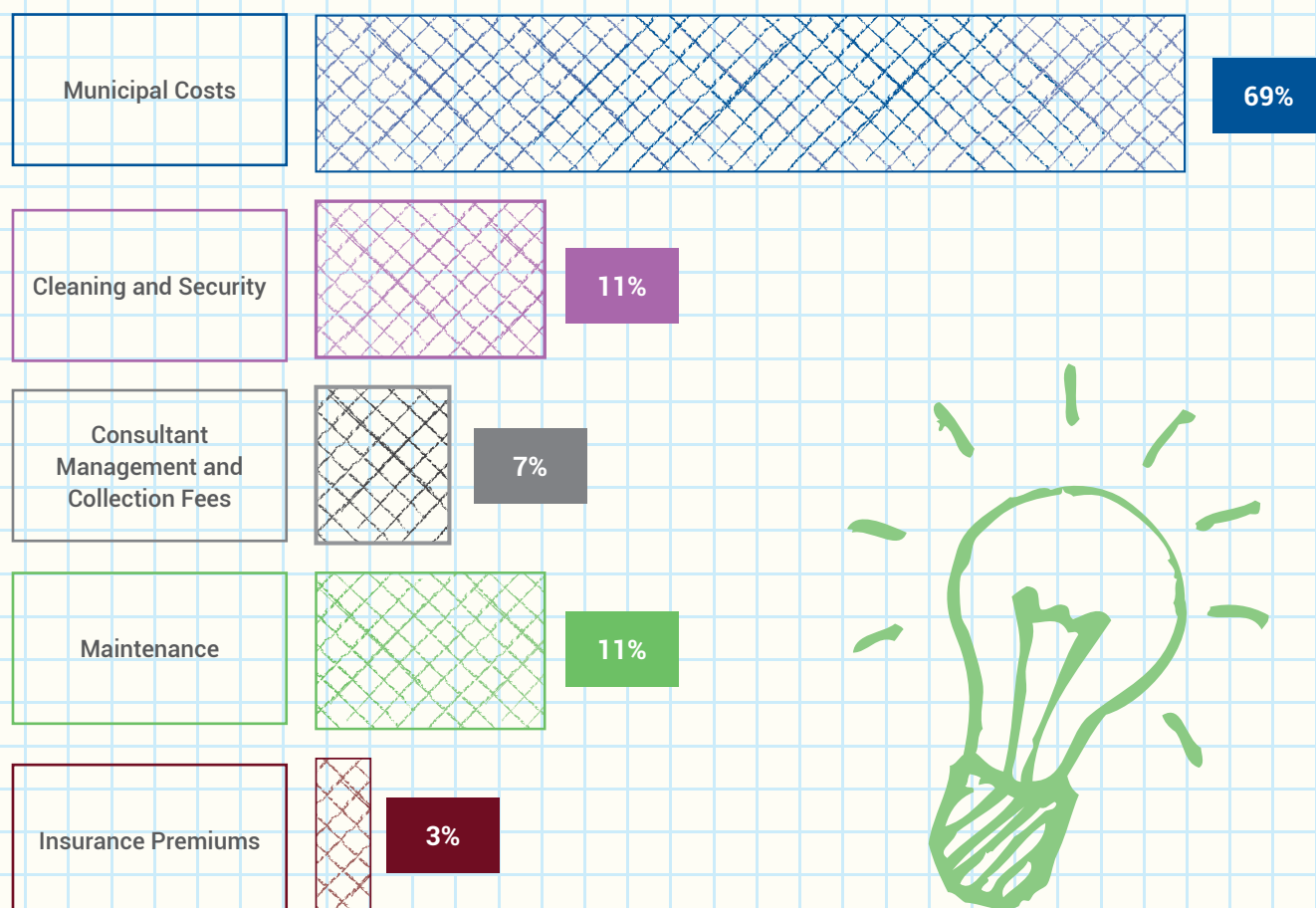
EXPENSE CATEGORIES AND RATIOS

The Group continuously evaluates methods of containing costs in the portfolio. The recurring costs to property revenue ratios including electricity, rates and taxes increased from June 2017 to June 2018. A graphical representation of property costs to revenue is shown below. The present level of cost to revenue ratio may not show a reduction going forward, as maintenance costs are expected to increase as well as excessive fixed municipal costs imposed by the authorities, which are not all fully recoverable from our tenant base. However, this cost ratio should not show any further deterioration in the next financial year.



*Recurring expenses include municipal fixed and consumption costs

The various cost components are reflected in the graph below:





RENT COLLECTION AND ARREARS

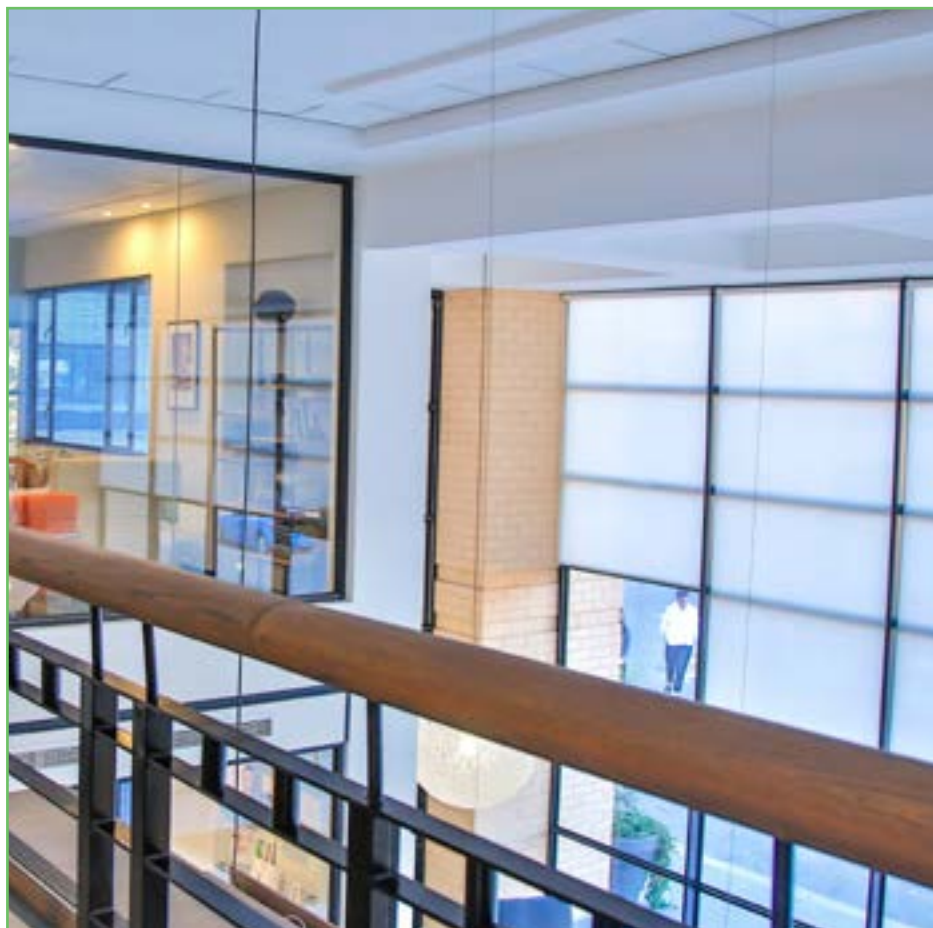
An important part of protecting the Group against the likelihood of tenants defaulting on their lease agreements is our credit vetting process prior to the acceptance of a tenant. We have developed a comprehensive screening process for each applicant, which assesses the tenant according to type (national, government, SMMEs and other), nature of business, main shareholders and other relevant characteristics and in the case of renewals, payment history.

As such, it is important to closely monitor our arrears book and any changes to tenant payment processes. We measure the effectiveness of our collections process based on the percentage collected by the seventh business day of each month which is in line with the Group's Standard Lease Agreement.

Although rental collections did not meet our collection, the Group does not consider this an area of concern. Larimar, our major tenant, accounts for approximately 38% of all rental income. This exposure to one tenant has been reduced from the previous reporting period. Payment from this tenant normally occurs between the eighth and the twentieth business day of each month. Larimar as at the date of this report continues to meet its rental obligations.

On average, our collection percentages recovered on the seventh business day of the month- our contractual tenant requirement- for the current and previous years are:

Sector	2018		2017	
	Less 7 days	Greater 7 days	Less 7 days	Greater 7 days
Retail	85	15	92	8
Industrial	10	90	5	95
Commercial	100	–	100	–



Portfolio Review (Continued)

Properties owned by the Group at June 2018

	Region	Town	Effective date of acquisition	Purchase price R'000	Gross lettable area m ² -	GLA % of portfolio
Commercial						
Parktown Towers	Gauteng	Johannesburg	April- 17	93 528	4 666	5.8
Bank City	North West	Potchefstroom	Jul-15	21 500	2 339	3.0
Total				115 028	7 005	8.8
Retail						
Eagle Canyon †	Gauteng	Roodepoort	Aug-08	23 085	2 241	2.8
Grand Central	Gauteng	Midrand	Aug-08	15 500	3 827	4.8
Corridor Hill ^	Mpumalanga	Witbank	Jun-16	41 141	5 835	7.3
Secunda Value Mart	Mpumalanga	Secunda	Oct-15	90 998	8 492	10.7
Total				170 724	20 395	25.6
Industrial						
Dubigeon Centre*	Gauteng	Brits	Dec-81	3 866	13 001	16.3
Putcoton	Gauteng	Roodepoort	Mar-93	8 913	9 559	12.0
Montana Park	Gauteng	Pretoria	Dec-09	12 700	3 640	4.6
Lea Glen 1	Gauteng	Roodepoort	Dec-93	3 651	6 728	8.4
Lea Glen 2	Gauteng	Roodepoort	Dec-93	3 565	7 200	9.0
Lea Glen 3	Gauteng	Roodepoort	Dec-93	2 180	4 125	5.2
Putco Dobsonville	Gauteng	Soweto	Jan- 94	3 595	3 500	4.4
Putco Garthdale #	Gauteng	JHB South	Apr- 99	–	–	–
Mamelodi @	Gauteng	Pretoria	Jan- 01	630	–	–
Putco Nancefield	Gauteng	JHB South	Feb- 96	2 075	1 585	2.0
Putco Rosslyn	Gauteng	Pretoria	Nov-92	2 902	2 964	3.7
Total				44 077	52 302	65.6
Grand total				329 829	79 702	100

† includes land for future development

* These properties are on a month to month tenancy

^ 50% undivided share

Property disposed of in 2018

@ Infrastructure demolished in 2018 in preparation for future redevelopment.



Vacancy %	Vacancy m ² R'000	Property revenue R'000	% rental portfolio R'000	Weighted average rental m ² Rands	Property expenditure R'000	Valuation June 2018 R'000	Valuation June 2017 R'000
		8 137	15.0	145.3	2 653	101 900	98 000
–	–	3 109	5.6	110.8	1 030	25 900	25 000
		11 246	20.6	133.8	3 683	127 800	123 000
–	–	2 792	5.1	103.8	224	34 300	33 608
–	–	2 525	4.7	55.0	445	21 800	22 000
–	–	3 351	6.2	47.8	381	49 000	45 500
–	–	9 999	18.8	98.1	3 478	128 600	124 500
		18 667	34.8	76.3	4 528	233 700	225 608
16.3	13 001	2 605	4.8	28.6	555	24 000	27 000
–	–	9 772	18.0	85.2	2 166	52 400	50 000
–	–	1 839	3.4	42.1	693	16 300	14 000
–	–	753	1.4	28.0	1 221	25 100	18 000
9.0	7 200	–	–	–	1 051	16 700	17 000
5.2	4 125	1 180	2.2	31.8	1 164	13 300	15 000
–	–	3 755	6.9	89.4	1 579	26 300	25 500
–	–	–	0.0	–	–	–	1 650
–	–	570	1.0	–	615	18 000	22 000
–	–	2 059	3.8	108.3	1 387	14 100	14 000
–	–	1 747	3.2	49.1	119	25 200	30 000
30.5	24 326	24 280	44.6	44.7	10 550	231 400	234 150
30.5	24 326	54 193	100	60.6	18 761	592 900	582 758

Report to Our Tenants and Service Providers

OUR TENANTS

Putprop believes that by offering our tenants the best value for rentable money, in a specific environment, and by enhancing their business success, our own business model is improved. Our philosophy is to upgrade our portfolio on a continuous basis, thereby maximising our premises and providing better facilities to our tenants. The success of our tenant base is vitally linked to our own.

Acquisitions of properties are done after an internal risk assessment of the premises, both at a financial level and in terms of returns, as well as the long-term demand for the property, its age, its accessibility to supply routes and its suitability for tenant needs.

All our properties should provide a solid basis for our tenants to operate from, and to grow their own business. In addition, although sustainability and profitability forms the reason for our operations, it is relationships and trust that make up the vehicle to achieve this objective.

TENANT RETENTION

Our Group operates at present 66% of its business activities in the industrial sector, 9% in the commercial sector and 25% in the retail sector (by GLA).

Management's emphasis is to retain good tenants wherever possible, even at the expense of lower escalations or rentals per square metre. It is more cost effective to retain rather than replace tenants.

Putprop makes use of an inhouse asset management model for the control and monitoring of its property portfolio. We may utilise sector expertise on certain operational issues, where necessary.

In order to improve our services to tenants we hold regular feed back meetings with them, on a structured, regular basis. This takes the form of site visits, and presents an opportunity to interact directly with them, at an operational level. This allows us to increase efficiencies on both sides and identify areas of frustration or operational issues at an early stage and to proactively react to these.

SERVICE PROVIDERS

The Group believes in transparent, timely and efficient dealings with all of its service providers. Where possible, use is made of community service operators, in areas where our properties are situated. Long term relationships are established, allowing for efficient servicing of the operating requirements of our properties.





Environmental Sustainability Report

INTRODUCTION

The Board accepts overall responsibility for the implementation of policies and the advancement of sustainable development within the Group.

Managing and, where possible, reducing the environmental footprint of our properties, as well as monitoring our carbon footprint, are recognised as paramount. In addition, the health and safety of our workforce, as well as considering the safety of our tenants' workforce, are important strategic objectives of Putprop. The implementation and management of this objective will, by necessity, have to occur with the active support and input of our tenant base.

ENERGY EFFICIENT INITIATIVES

To make informed energy efficient decisions linked to effective implementation, we need to evaluate the most practical and cost-effective means to manage our utilities.

The following initiatives have been implemented where applicable:

- An energy efficient programme that will focus on and monitor energy spend and its efficiency. We have initiated programmes to introduce more efficient light fittings and globes in all future refurbishments undertaken. Consideration is given to the fitting of energy efficient lighting, as well as the implementation of metal halide lamps in lieu of fluorescent lighting. This in many instances results in greater levels of illumination with greater energy efficiency. With the current cost structure of electricity supply in South Africa, this program can have financial benefit for our portfolio as well as our tenants.
- A water conservation and management program. The program will monitor the consumption of water to highlight variations in consumption, enabling early detection of water wastage and system defects. All new refurbishing's carried out are using low flushing mechanisms. New initiatives will be investigated, together with our tenants and local suppliers, to reduce consumption where practical.
- Climate change. In pursuing our financial activities and objectives, we believe we have a responsibility to make a contribution to reducing our carbon footprint and thus slow down climate change.
- A utility audit in respect of water and energy consumption is essential. This necessitates, by implication, that this is an on-going process. As a result, we intend to audit all our properties in the course of the next 12 - 24 months with a view to determine which properties, if any, are in need of remedial action and then to determine the appropriate response.

OCCUPATIONAL HEALTH AND SAFETY ACT

The Group believes that it must assume responsibility to ensure that all its properties comply with the Occupational Health and Safety Act requirements.

It was noted in the previous annual report that the services of a specialised health and safety consultant would be considered in order to review our properties and ensure they meet the standard of compliance required by the various legislation. The Board considered this proposal during this review period and appointed a consultant to review all our properties. Initially this review will be limited to our older properties where remedial action may be required. Where necessary, procedures have been implemented where shortfalls have been identified.



Report to The Community - Social Initiatives

After the successful completion of our past projects, the Board again gave approval for a budget of R300 000 for the current year.

This is in addition to the budget approved for the year ended 30 June 2017, which was never spent. Various projects were examined by the Social and Ethics Committee, with an emphasis again on children and supporting initiatives where possible in the areas we operate in.

During the year the Social and Ethics Committee (SE) met on three occasions.

Approval was given for the following funding:

- Hearts of Hope Foundation;
- The Lighthouse Baby Shelter; and
- The Manage Care Centre- Manna Soup Kitchen.

Hearts of Hope Foundation

This foundation strives to enhance the lives of orphans, abandoned and vulnerable children through quality individual care and development allowing the children in their care a childhood.

Hearts of Hope was started with a group of volunteers in 1997 and have facilitated 107 children in the home since then.

The home situated in Wendywood has at present 34 children. Entry age is 5 years and younger. These children are provided with intensive input with regard to their mental, physical and emotional state.

Putprop sponsored three girl siblings during this period in respect of their day to day living needs as well as their educational requirements. An amount of R270 000 was donated for this cause.

The Lighthouse Baby Shelter

The Lighthouse Baby Shelter was founded in 2008 by Eleanor Dunstan. The shelter takes children from birth and creates a home environment where the children can feel part of a "big family" and have a home which they can call their own. The focus is on abandoned, abused, neglected and HIV orphans.

Eleanor lives on the property providing the services of a "mother" to the children. They are looked after until suitable foster parents can be found to provide a safe and stable home environment.

Putprop sponsored R150 000.00 for the day to day running of the shelter.

Manna Soup Kitchen

Manna Soup Kitchen was established in 1994 to provide basic but well balanced meals to over 2 000 black children in various creches and day care centres around the Daveyton/Etawatwa area. Basic supplies and ingredients for meals, cooked on site by the beneficiaries, are distributed once a week. Clothing and other goods are also supplied when available.

At present, 40 creches are serviced with around 2 000 children benefiting.

Putprop contributed R 50 000.00 to the centre.





HEARTS OF HOPE
GIVING CHILDREN BACK THEIR CHILDHOOD



Mama Mimi's
HOME MADE BREAD

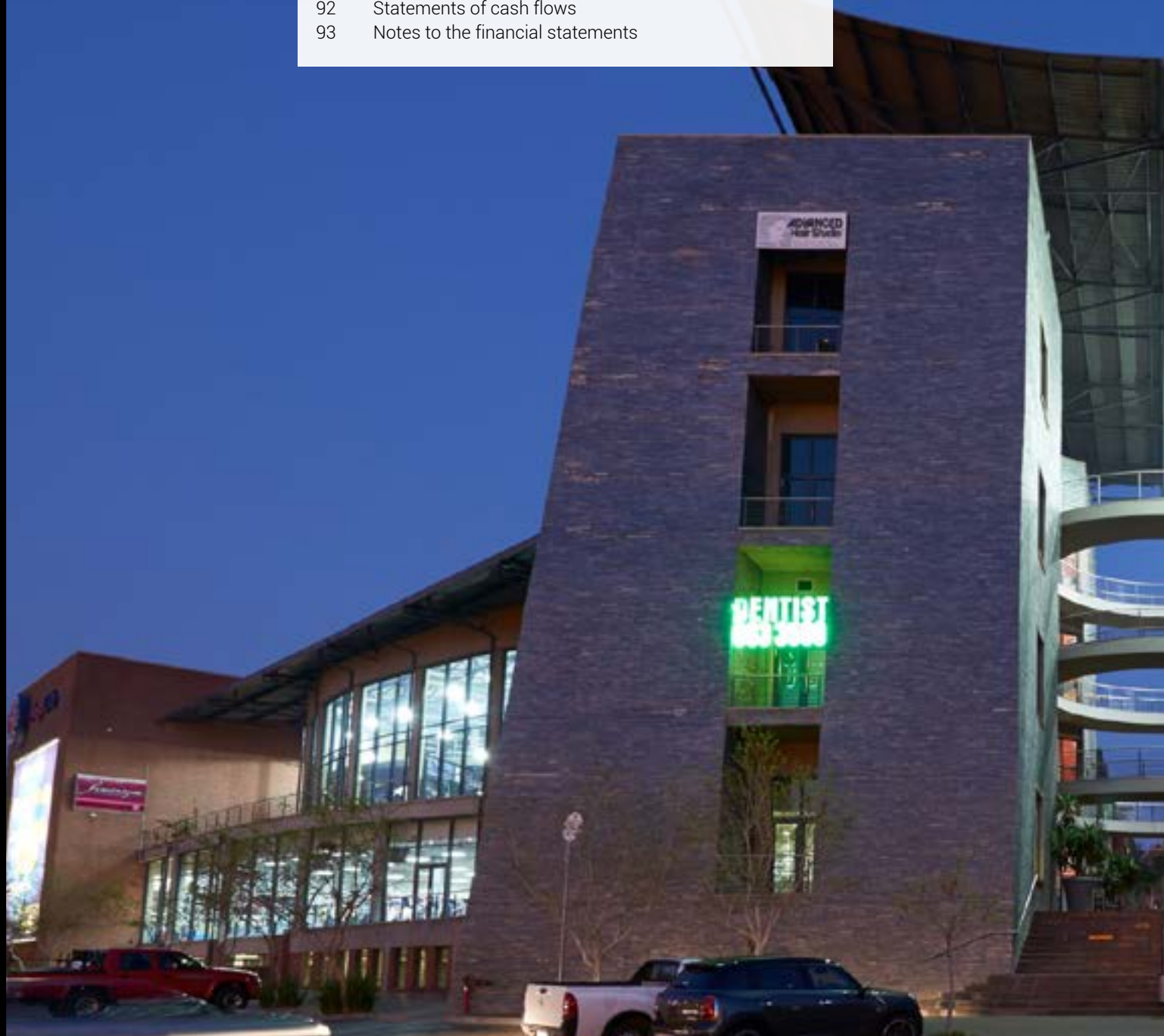




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Annual Financial statements

Directors' statement of responsibility

for the year ended 30 June 2018

The annual financial statements set out on pages 89 to 117 are the responsibility of the directors. The directors are responsible for selecting and adopting sound accounting practices, for maintaining an adequate and effective system of accounting records for the safeguarding of assets and for the developing and maintaining of a system of internal control. The annual financial statements have been prepared in accordance with International Financial Reporting Standards, the Companies Act, the South African Institute of Chartered Accountants Financial Reporting Guidelines and the Listing Requirements of the Johannesburg Stock Exchange and include amounts based on judgements and estimates made by management.

The going concern basis has been adopted in preparing the Group's annual financial statements. The directors have no reason to believe that the Group will not be a going concern in the foreseeable future, based on forecasts and available cash resources.

The directors have reviewed the Group's cash flow forecasts for the year ending 30 June 2019 and in the light of this review and current financial position are satisfied that the Group has access to adequate resources to continue operational existence for the foreseeable future.

The directors, supported by the Audit and Risk Committees, are satisfied that the Group's annual financial statements fairly present the state of affairs of the Group and that there was no material breakdown in the system of internal control during the year. The Group's annual financial statements have been audited by its independent external auditors, Mazars, who were given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the Board of directors and committees of the Board. The directors believe that all representations made to the independent auditors during their audit were valid and appropriate. It is the responsibility of the auditors to report on the Group's financial statements in conformity with International Standards on Auditing. Mazars' audit report is presented on pages 78 to 81.

The financial statements were approved by the Board on 10 October 2018 and are signed on its behalf by:



D Torricelli
Chairman



BC Carleo
Chief Executive Officer

Johannesburg
10 October 2018



Certification by the Company Secretary

for the year ended 30 June 2018

The Company Secretary hereby certifies in accordance with section 88(2)(e) of the South African Companies Act 2008 (Act 71 of 2008), as amended that, to the best of our knowledge, the Group has lodged with the Commissioner of the Companies and Intellectual Property Commission all such returns as are required for a listed Group and that all such returns are true, correct and up to date in respect of the financial year reported.

Acorim Proprietary Limited represented by
N. Petrides

Johannesburg

10 October 2018

Preparation of Annual Financial Statements

for the year ended 30 June 2018

The annual financial statements contained in this report are also available on the Group's website www.putprop.co.za and have been prepared by the CFO, James E. Smith B.Sc, B. Acc, CIEA. The annual financial statements have been audited in compliance with the requirements of the Companies Act.

James E. Smith
Chief Financial Officer

10 October 2018

Independent auditor's report

for the year ended 30 June 2018

To the Shareholders of Putprop Limited

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the paragraph 13.18 and 13.19 disclosures required by the JSE Listings Requirements on pages 58 to 69 and the consolidated and separate financial statements of Putprop Limited (the group) set out on pages 89 to 117, which comprise the statements of financial position as at 30 June 2018, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the group as at 30 June 2018, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

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 are independent of the group in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, 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

for the year ended 30 June 2018 (Continued)

Matter	Audit response
1.1 Valuation of investment properties (refer to notes 1.5, 2 and 15) The carrying value of Investment property amounted to R573.865 million at the 2018 year end comprising 76.04% of total assets of the group. The fair value adjustment recorded in the net profit for the 2018 year in respect of Investment property was R1.319 million. The Group's accounting policy states that Investment property is measured at fair value adjusted for the straight-line lease income adjustment in terms of IAS 40- Investment Property. The fair values of investment properties at year-end were determined by independent external valuers using a direct income capitalisation method. The data used incorporated significant unobservable inputs including: • market net rental and market net rental growth; • occupancy rates; • vacancy periods; • capitalisation rates based on equivalent yield rates. • The present value of the reversionary income. The fair values of land for development was determined using the comparable sales method. The comparable sales method includes unobservable bulk rates for undeveloped land. The significance of the balance to the financial statements as a whole, of both the group and company, and the significance of the estimates and judgements involved, warrants specific audit attention.	The Directors make use of an independent external valuer being a management expert to determine the valuations of investment properties. Our audit procedures included but were not limited to the following: • Agreeing the valuation of all revalued investment properties to valuation reports prepared by independent external valuers appointed by the directors; • Assessing the competence, objectivity, capability and integrity of the appointed expert, including verification of the independent external valuer's qualifications; • Assessing the basis of preparation of externally prepared property valuation reports as well as the terms of engagement with the valuers to assess whether they are reasonable and align with International Financial Reporting Standards and industry norms; • Debating and robustly challenging the assumptions and valuations prepared by the valuator; • Assessing the key assumptions used in the valuation report, including analysing the accuracy of the rental income and expenses in the calculations compared to the actual results, comparing capitalisation rates used to available industry data and assessing reasonableness of the bulk rates utilised in relation to recent sales prices of similar properties; • Comparing the valuations in the current year to our independently formulated expectations and obtaining explanations for unusual and unexpected movements, and corroborating the explanations where necessary; • Recalculating valuation workings; • Performing sensitivity analyses on the assumptions applied in the valuation model; • Assessing the investment property held for any evidence of impairment; and • Assessing the adequacy of disclosures with regard to the investment property portfolio held in the consolidated and separate financial statements in terms of International Financial Reporting Standards.

Independent auditor's report

for the year ended 30 June 2018 (Continued)

Matter	Audit response
1.2 Valuation of Investment Property in associates (refer to notes 4, 5 and 6) The associates prepare their statutory financial statements in accordance with International Financial Reporting Standards for Small and Medium Sized Entities. Investment property represents the major asset for all these associates. The fair value determination of investment properties under International Financial Reporting Standards for Small and Medium Sized Entities differs from the group accounting policies of Putprop Limited which requires Investment property to be accounted for at fair value in terms of IAS 40 – Investment Property. Appropriate adjustments are made on consolidation to account for the above differences which involve the determining the fair value of the investment properties in terms of IAS 40; and accordingly the valuation of these properties are subject to identical matters as outlined in 1.1.	The Group engagement team performed specific procedures to obtain sufficient and appropriate audit evidence over the fair value determination for investment properties held by associate companies. These procedures were similar to those detailed in 1.1 above.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit Committee's Report, the Company Secretary's Certificate, as required by the Companies Act of South Africa and the Integrated Annual Report, which we obtained prior to the date of this report. Other information does not include 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 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 obtained prior to the date of this auditor's report, 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 and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, 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's 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.



Independent auditor's report

for the year ended 30 June 2018 (Continued)

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.
- 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 the 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.

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Mazars has been the auditor of Putprop Limited for 10 years.

Mazars
Registered Auditors
Partner: Susan Truter
Registered Auditor

10 October 2018
Johannesburg

Directors' report

for the year ended 30 June 2018

OVERVIEW

The directors have pleasure in submitting the 30th directors' report which forms part of the audited annual financial statements for the year ended 30 June 2018.

The Group, incorporated and domiciled in the Republic of South Africa, was listed on the JSE Limited on 4 July 1988. The Group is listed on the JSE under the Real Estate sector. The Group invests in industrial, commercial and retail properties, deriving its income primarily from tenant rentals. The Group's primary objective is to acquire properties with strong contractual cash flows, thus leading to capital appreciation and sustainability with consistent growth in dividend distributions.

SUMMARY OF FINANCIAL PERFORMANCE AND DISTRIBUTIONS

The information presented for the year ended 30 June 2018 has been prepared in accordance with International Financial Reporting Standards ("IFRS") and the Companies Act, 2008 (Act 71 of 2008), as amended ("Companies Act") the South African Institute of Chartered Accountants Financial Reporting Guidelines and the Listings Requirements of the JSE Limited. The financial statements have been audited by Mazars, the Group's external auditors.

The Group reflected a small decrease in property revenue in the current review period to R72.9 million (2017: R73.8 million). Operating profit also decreased to R14.7 million (2017: R43.9 million) respectively. Profit available for distribution to ordinary shareholders decreased from R39.3 million to R6.9 million. Headline Earnings per Share however increased to 59.53 cents. (2017: 55.91 cents)

The Board has approved a final dividend distribution of 7 cents per share for the six months ended 30 June 2018 (2017: 7 cents). The total dividend distributed for the year ended 30 June 2018 was 13 cents per share (2017: 13 cents).

DIRECTORATE

Details of the current directors providing full names, ages, qualifications and abridged curriculum vitae are set out on pages 32 to 33 of the annual report.

Mr Paul Nucci, an independent non-executive director, resigned from the Board on 18 May 2018 due to time constraint requirements of his other commitments.

Subsequent to Putprop's financial year end the following directors were appointed to the Board:

Mr G Van Heerden was appointed as an independent non-executive director and a member of the AR, with effect from 1 July 2018.

Mrs R Styber was appointed as an independent non-executive director and a member of the AR, with effect from 1 July 2018.

Mrs. A Carleo-Novello was appointed as an executive director, with effect from 1 July 2018.

Abbreviated *curricula vitae* in respect of the above-mentioned directors appear on pages 32 to 34 of this report.

In terms of the MOI of the Company, one third of all directors have to retire annually by rotation. Mr D Torricelli, retires in terms of this requirement and offers himself for re-election by shareholders at the Group's AGM. Any new directors that have been appointed during the year also have to have such appointment ratified at the next AGM. All retiring directors are eligible for re-election.

It is the policy of the Board that all directors, on reaching the age of 70 years, may continue to serve on the Board, provided that such appointment will be on a yearly basis, and subject to the approval of all members of the Board.

CAPITAL STRUCTURE

The authorised capital comprises 500 000 000 ordinary shares of no par value. At 30 June 2018 the issued shares of no par value amounted to 44 672 279 shares (2017: 44 672 279).

Unissued shares of 455 327 721 (2017: 455 327 721) are held under the control of the directors, subject to the JSE Listings Requirements until the next AGM.

The Group as announced on the SENS release of 29 June 2018 has agreed to repurchase 775 000 of its shares at an offer price of 490 cents per share. This will be done under a Specific Repurchase of Shares scheme. This Specific Repurchase represents 1.73% of Putprop's current shares in issue.

Approval for this arrangement has been granted by the JSE but still needs formal approval by shareholders in a General Meeting.

Given the forward yield at which Putprop is currently trading, buying back the Company's shares will yield accretive and create value for shareholders.

The Specific Repurchase will be funded from existing cash reserves, and future cash derived from the sale of three of the Groups properties.



Directors' report

for the year ended 30 June 2018 (Continued)

HOLDING GROUP

Putprop's holding company is Carleo Enterprises Proprietary Limited and its ultimate holding company is Carleo Investments Proprietary Limited.

GOING CONCERN

The directors have reviewed the Group's cash flow forecast for the period to 30 June 2019. On the basis of this review and having regard for the current financial position, the directors are satisfied that the Group has access to adequate resources for the continued operational existence of Putprop Limited for the foreseeable future.

SPECIAL RESOLUTIONS

The following special resolutions were passed at the annual general meeting held on 3 November 2017:

- Approval of the non-executive directors' remuneration for the financial years ending 30 June 2018;
- General approval for Putprop's and/or its subsidiaries to acquire shares in the Company;
- Approval for the Company to provide financial assistance for the subscription of securities in terms of Section 44 of the Companies Act;
- Approval for the Company to provide financial assistance in terms of Section 45 of the Companies Act; and
- Approval for amendments to the MOI of the Company.

DIRECTORS' SHAREHOLDINGS AND DEALINGS IN SECURITIES

Directors, executives and senior employees are prohibited from dealing in Putprop's securities during certain prescribed restricted periods. A formal securities dealings policy has been developed to ensure directors' and employees' compliance with the JSE Listings Requirements and the insider trading legislation in terms of the Financial Markets Act.

On 30 June 2018, the directors held a total of 139 000 (2017: 139 000) shares in the Group. There has been no change in these interests between 30 June 2018 and the date of this report.

The paragraph above discloses the quantity of shares and the table below the percentage of shares.

	Direct beneficial		Indirect beneficial	
	2018 %	2017 %	2018 %	2017 %
Non-executive directors				
No shares are held by any of the Group's Non-executive directors				
Executive directors and prescribed officers				
A L Novello	0.05	0.05	3.94	3.94
B C Carleo	0.12	0.12	5.07	5.07

DIRECTORS' INTERESTS IN CONTRACTS AND CONFLICTS OF INTERESTS

The directors have no interest in material contracts or transactions, other than those directors involved in the operation of the Group as set out in this report. There have been no bankruptcies or voluntary arrangements of these persons.

Directors' declarations are tabled and circulated at every Board meeting. All directors are encouraged to declare any potential conflict of interest and to bring such circumstances to the attention of the Chairman.

The executive directors of Putprop have not acted as directors with an executive function of any company at the time or within the 12 months preceding any of the following events taking place: receiverships, compulsory liquidations, creditors' voluntary liquidations, administrations, company voluntary arrangements or any composition or arrangements with its creditors generally or any class of its creditors.

The directors of Putprop have not been the subject of public criticisms by statutory or regulatory authorities (including professional bodies) and have not been disqualified by a court from acting as directors of a company or from acting in the management or conduct of the affairs of any company. There have been no offences involving dishonesty by the directors of Putprop.

BOARD AND COMMITTEE COMPLIANCE

The attendance register of directors for each Board and committee meeting for the year ended 30 June 2018 is detailed on page 39 of the governance report.

Directors' report

for the year ended 30 June 2018 (Continued)

BOARD AND COMMITTEE COMPOSITION

Composition of the board	Date of appointment	Audit and risk committee	Social and ethics committee	Remuneration nomination and human resources committee	Property Investment committee
Independent non-executive directors					
D Torricelli	3 December 2015*	Member	Member	Chair#	Member
H Hartley	17 February 2016	Chair	Member	Member	Chair
P Nucci**	3 December 2015	Member	Chair	Chair#	Member
Executive directors					
B C Carleo	1 August 1997	Invitee	Member	Invitee	Member
J E Smith	17 May 2009	Invitee	Member	Invitee	Member

* Appointed Chairman of the Board 4 February 2016

D Torricelli Chairman of Nomination Committee

P Nucci Chairman of Remuneration Committee

** Resigned 18 May 2018

EXECUTIVE DIRECTORS' CONTRACTS

The executive directors have fixed-term contracts with the Company. A three month notice period is required of the executive directors and the CEO respectively for the termination of services. Details of remuneration and incentive bonuses are set out in the table below.

DIRECTORS' REMUNERATION

The following emoluments were paid to directors during the year ended 30 June 2018.

	Short term benefits			Post - employment benefits			
	Board and committee fees R'000	Salary R'000	Bonus Paid R'000	Medical Aid contributions R'000	Pension Contributions R'000	Total 2018 R'000	Total 2017 R'000
Executive directors and prescribed officers							
B C Carleo	92	1 007	82	86	147	1 414	1 245
J E Smith	92	1 215	98	70	–	1 475	1 260
Anna Novello	–	688	56	73	–	817	710
Total	184	2 910	236	229	147	3 706	3 215
Non-executive directors							
D Torricelli	167	–	–	–	–	167	116
P Nucci	104	–	–	–	–	104	83
H Hartley	141	–	–	–	–	141	116
Total	412	–	–	–	–	412	315
	596	2 910	236	229	147	4 118	3 530



Directors' report

for the year ended 30 June 2018 (Continued)

PROPERTY PORTFOLIO

Full details of the Group's investment portfolio can be found on pages 62 to 63 of the Integrated report.

VALUATION OF PROPERTY PORTFOLIO

It is the Group's policy to value the entire investment property portfolio on an annual basis by an independent external valuer except for property under development for which fair value cannot be considered reliably measurable. During the period under review, the Audit and Risk Committee recommended to the Board that in order to practice good governance the Group's external valuer be changed on a five year cycle. Quadrant Properties having valued the Group's portfolio over this period was replaced by JLL Valuers. The external, valuation of the properties at 30 June 2018 resulted in a gross fair value upward adjustment of 1.7% or R9.5 million upward (2017: R14.1 million upward).

In addition, as reported in the interim report, the property portfolio is valued by the directors on a six monthly and annual basis. An interim valuation increase of R 1.5 million (2017: R5.2 million upward) was noted. This valuation is taken into account in the June 2018 independent external valuation.

The directors' valuation of the portfolio at 30 June 2018 is in line with the external valuation.

LITIGATION STATEMENT

The directors are not aware of any legal or arbitration procedures that are pending or threatening, that may have had, in the previous 12 months, a material effect on the Group's financial position.

SUBSEQUENT EVENTS

Three of the Group's non-core portfolio properties, Grand Central, Midrand and Lea Glen 2 and 3 have been sold after 30 June 2018.

As announced on SENS on 29 June 2018, the Group has agreed to repurchase 775 000 of its shares at an offer price of 490 cents per share from Allan Gray Proprietary Limited, in its capacity as the duly authorised agent of its clients for a total consideration of R3 797 500 ("Specific Repurchase").

This Specific Repurchase represents 1.73% of Putprop's current shares in issue and is subject to the approval of shareholders at a General Meeting to be held on 12 September 2018.

Application will be made to the JSE for the delisting of the shares once the specific repurchase has been affected.

There are no other significant subsequent events arising between this reporting date and its release to stakeholders.

COMPANY AUDITORS

Mazars have acted as the Company and Group auditors for the year ended 30 June 2018 and will continue in terms of section 90 of the Companies Act.

COMPANY SECRETARY

The Company Secretary for the period under review is Acorim Proprietary Limited represented by N. Petrides whose physical and postal address is: 2nd Floor, North Block, Hyde Park Office Tower, Corner 6th Road and Jan Smuts Avenue, Hyde Park 2196 and P.O. BOX 41480 Craighall, 2024, respectively.

The Company Secretary is responsible for the duties set out in section 88 of the Companies Act and the Board for ensuring compliance with the JSE Listings Requirements. Director induction and training are part of the Company Secretary's responsibilities. The Company Secretary is responsible to the Board for ensuring the proper administration of Board proceedings, including the preparation and circulation of Board papers, drafting annual work plans, ensuring that feedback is provided to the Board and Board committees and preparing and circulating minutes of Board and committee meetings. They provide practical support and guidance to the Board and directors on governance and regulatory compliance matters.

Company Boards must consider and satisfy themselves annually regarding the competence, qualifications and experience of the Company Secretary, and also whether an arm's length relationship is maintained. The performance of the Company Secretary, as well as their relationship with the Board, is assessed on an annual basis.

The Board has evaluated the Company Secretary and it is satisfied that they are suitably qualified for the role and that Acorim maintains an arms-length relationship with the Company and the Board.

Audit and Risk committee report

for the year ended 30 June 2018

The Audit and Risk Committee ("AR") presents its report in terms of section 94(7)(f) of the Companies Act 2008, as amended and as recommended by King IV for the financial year ended 30 June 2018.

BACKGROUND AND TERMS OF REFERENCE

The information below constitutes the report as required by section 94 of the Companies Act. The Committee's operation is guided by a detailed Charter that is informed by the Companies Act, and is approved by the Board as and when it is amended.

PURPOSE

The main objectives of the Committee are:

- to assist the Board in discharging its duties relating to safeguarding of assets, the operations of adequate systems, controls and reporting processes and the preparation of accurate reporting and financial statements in compliance with the applicable legal requirements and accounting standards;
- to provide a forum for discussing business risk and control issues for developing recommendations for consideration by the Board;
- to oversee the activities of the external audit; and
- to perform duties that are attributed to it by the Companies Act.

MEMBERSHIP COMPOSITION, MEETING ATTENDANCE AND EVALUATION

During the year under review the AR comprised of three independent non- executive directors. They are:

H Hartley (Chairman) - appointed 17 February 2016;

P Nucci* - appointed 3 December 2015 and

D Torricelli - appointed 3 December 2015;

* Resigned 18 May 2018

R. Styher and G. van Heerden were appointed to the AR on the 25th July 2018 and verified by the Board on the 8th August 2018.

The CEO, the Financial Director, other members of senior management and representatives from the external auditors attend the AR meetings by invitation only. The external auditors have unrestricted access to the Chair and other members of the AR.

Meeting attendance is set out on page 44 of the corporate governance review. The committee meets at least four times a year with the group executive management and the external auditors. The company secretary attends all meetings as secretary to this committee.

Brief *curricula vitae* of the members of the AR are set out on pages 32 to 34. The effectiveness of the AR as a whole and its individual members are assessed on an annual basis. The AR held five meetings during the year. All meetings were scheduled in advance.

APPROPRIATENESS AND EXPERIENCE OF THE FINANCIAL DIRECTOR AND FINANCE FUNCTION REVIEW

The AR reviewed the performance of the Financial Director, Mr James E Smith and was satisfied that the expertise and experience of the Financial Director was considered appropriate to meet his responsibilities in that position as required by the JSE. The AR also considered and was satisfied with:

- The expertise and adequacy of resources within the financial function; and
- The expertise of the senior financial management staff.

In making these assessments the AR obtained feedback from the external auditors. Based on the processes and assurances obtained we believe the Group's accounting policies to be effective.



Audit and Risk committee report

for the year ended 30 June 2018 (Continued)

EXTERNAL AUDIT

Mazars is the external auditor of Putprop.

- The external auditors provide an independent assessment of systems of internal financial control and express an independent opinion on the annual financial statements. The external audit function offers reasonable, but not absolute assurance on the accuracy of financial disclosures.
- The AR, in consultation with executive management, agreed to an audit fee for the 2018 financial year. The fee is considered appropriate for the work that could reasonably have been foreseen at the time.
- There are formal procedures that govern the process, whereby if the auditor is considered for non-audit services, a specific letter of engagement for such work must be created and subsequently reviewed by the Committee. Non-audit services performed by the external auditor during the year under review were approved and monitored by the AR Committee;
- In addition, and following the committee's review of the Independent Regulatory Board of Auditors' latest findings report and the latest inspection reports and summary of internal review findings in terms of paragraph 22.15 (h) of the Listings Requirements provided by the auditors, the committee satisfied itself that both Mazars and Susan Truter are accredited in terms of the Listing Requirements and are independent from the Company.
- Meetings were held with the auditor where management were not present and no matters of concern were raised. Based on our processes followed nothing has come to the Committee's attention which would lead the Committee to question the external auditor's independence. Based on our satisfaction with the results of the activities outlined above, the Committee has recommended to the Board that Mazars be reappointed as the external auditors for the 2019 financial year, and Susan Truter as the designated auditor.

FINANCIAL STATEMENTS AND ACCOUNTING PRACTICES

The annual financial statements of the Group and Company have been reviewed for the year ended 30 June 2018. Based on information provided by management the AR is of the view that in all material aspects both the accounting policies and the annual financial statements are appropriate and comply with the provisions of the Companies Act, Act 71 of 2008, as amended, International Financial Reporting Standards (IFRS) the South African Institute of Chartered Accountants Financial Reporting Guidelines and the JSE Listings Requirements.

Where it was considered appropriate, the AR, made submissions to the Board on matters concerning the Group's and Company's accounting policies, financial control records and reporting.

The AR considered, reviewed and approved for submission to the Board the Group's and Company's property valuations both internal, by the directors of the Group in December 2017 and June 2018, and those by an independent external valuer, as at 30 June 2018; as well as the full year integrated report to 30 June 2018 and the interim results to December 2017 and recommended for approval, all of the reports as listed above to the Board.

The AR has further considered the JSE's most recent report back on proactive monitoring of financial statements, and where necessary to respond to the findings highlighted in the JSE report when preparing the annual financial statements for the year ended 30 June 2018.

The AR confirms that it received no complaints relating to the accounting policies, reporting practices, internal financial controls or the content and auditing of its financial statements during the year under review.

INTEGRATED ANNUAL REPORT AND ANNUAL FINANCIAL STATEMENTS

At its meeting held on 22 August 2018 the AR considered and recommended the June 2018 integrated annual report and annual financial statements for approval to the Board. The Board has subsequently approved the integrated annual report and the annual financial statements, which will be open for discussion at the forthcoming AGM.

Audit and Risk committee report

for the year ended 30 June 2018 (Continued)

RISK MANAGEMENT

The AR has reviewed all risk management reports presented by management during the course of the year and conducted specific risk focused meetings at which all major risks facing the Group and Company were identified, considered and approved.

INTERNAL FINANCIAL CONTROLS

The AR has reviewed the reports of the external auditors detailing their findings arising from the audit and the appropriate response from management. The AR confirms that no material findings in regards to internal financial controls have been brought to its attention during the year under review. In addition, the committee reviewed and ensured adherence to the annual audit plan.

SOLVENCY AND LIQUIDITY

The AR is satisfied that the Board has performed a solvency and liquidity test on the Group and Company in terms of sections 4 and 46 of the Companies Act 2008 as amended and concluded that the Group and Company will satisfy this test after payment of the final dividend distribution as approved by the Board on 5 September 2018. In addition, the AR noted and confirmed that this test was performed and satisfied for the payment of the interim dividend distribution approved in December 2017.

GOING CONCERN STATUS

The AR has considered the going concern status of the Group and Company on the basis of reviews of the unaudited interim financial statements and the audited annual financial statements and information provided to the committee by management and have recommended such going concern status to the Board. The Board statement on the going concern status of the Group and Company is noted on page 76 of the directors' report.

REGULATORY COMPLIANCE

The AR has, to the best of its knowledge, complied with all applicable legal and regulatory responsibilities.

On behalf of the AR Committee



H Hartley
Chairman

Johannesburg
10 October 2018



Statements of financial position

as at 30 June 2018

		Group		Company	
	Notes	2018 R'000	2017 R'000	2018 R'000	2017 R'000
ASSETS					
Non-current assets					
Net investment property	2	573 865	571 941	453 194	451 210
Gross investment property		592 900	582 758	464 300	458 257
Straight-line rental income adjustment	3	(19 035)	(10 817)	(11 106)	(7 047)
Other non-current assets					
Straight-line rental income asset	3	18 355	9 355	10 511	5 585
Furniture, fittings computer equipment and motor vehicles		43	80	43	80
Investment in subsidiary	4	–	–	5 942	5 942
Loan to subsidiary	4	–	–	8 019	8 457
Deferred interest on discounting of the loan to subsidiary	4	–	–	13 273	16 960
Investment in associates	5	121 697	117 244	118 587	95 468
Loan to associate	5	5 458	1 616	5 458	1 616
Cumulative redeemable preference shares in associate	5	35 273	32 783	35 273	32 783
		754 691	733 019	650 300	618 101
Current assets					
Straight-line rental income asset	3	680	1 462	595	1 462
Trade and other receivables	7	6 476	6 137	5 328	5 698
Current taxation receivable	8	911	811	911	811
Cash and cash equivalents	9	3 478	25 490	3 225	21 226
		11 545	33 900	10 059	29 197
Total assets		766 236	766 919	660 359	647 298
Equity and liabilities					
Equity attributable to owners of the parent					
Stated capital	10	101 969	101 969	101 969	101 969
Accumulated profit		461 199	460 051	423 064	409 028
Total Equity		563 168	562 020	525 033	510 997
Non-current liabilities					
Deferred taxation	8	46 232	42 434	41 965	40 342
Loan liabilities	11	144 395	146 711	85 551	83 533
		190 627	189 145	127 516	123 875
Current liabilities					
Loan Liabilities	11	5 697	2 909	1 653	–
Trade and other payables	13	6 744	12 845	6 157	12 426
		12 441	15 754	7 810	12 426
Total equity and liabilities		766 236	766 919	660 359	647 298

Statements of comprehensive income

for the year ended 30 June 2018

	Notes	Group		Company	
		2018 R'000	2017 R'000	2018 R'000	2017 R'000
Property rental revenue	16	62 411	57 281	48 252	46 305
Operating cost recoveries	16	10 560	16 584	6 793	13 408
Gross property revenue		72 971	73 865	55 045	59 713
Property expenses	17	(19 966)	(20 074)	(16 613)	(17 431)
Net profit from property operations		53 005	53 791	38 432	42 282
Corporate administration expenses		(8 852)	(7 187)	(8 794)	(7 207)
Investment and other income		4 312	3 788	4 259	3 352
Dividend in specie from associates	5	–	–	–	8 490
Share of associates' (losses)/profits	5	(18 657)	3 049	–	–
Operating profit before finance costs		29 808	53 441	33 897	46 917
Finance costs	18	(15 135)	(9 448)	(8 573)	(8 573)
Profit before fair value adjustments		14 673	43 993	25 324	44 433
Fair value adjustments	2	1 319	9 104	1 379	6 458
Profit before taxation		15 992	53 097	26 703	50 891
Taxation	8	(9 036)	(13 790)	(6 860)	(11 800)
Profit and total comprehensive income for the year		6 956	39 307	19 843	39 091
Attributable to owners of parent		6 956	39 307	19 843	39 091
Earnings and diluted earnings per share (cents)	19	15.57	87.99	–	–



Statements of changes in equity

for the year ended 30 June 2018

	Notes	Stated capital R'000	Accumulated profit R'000	Total R'000
GROUP				
Balance at 1 July 2016		101 969	426 551	528 520
Profit and total comprehensive income for the year		–	39 307	39 307
Dividends paid	12	–	(5 807)	(5 807)
Balance at 30 June 2017		101 969	460 051	562 020
Profit and total comprehensive income for the year		–	6 956	6 956
Dividends paid	12	–	(5 807)	(5 807)
Balance at 30 June 2018		101 969	461 199	563 168
COMPANY				
Balance at 1 July 2016		101 969	375 744	477 713
Profit and total comprehensive income for the year		–	39 091	39 091
Dividends paid	12	–	(5 807)	(5 807)
Balance at 30 June 2017		101 969	409 028	510 997
Profit and total comprehensive income for the year		–	19 843	19 843
Dividends paid	12	–	(5 807)	(5 807)
Balance at 30 June 2018		101 969	423 064	525 033

Reference
note 10

Statements of cash flows

for the year ended 30 June 2018

	Notes	Group		Company	
		2018 R'000	2017 R'000	2018 R'000	2017 R'000
Cash flow generated/(utilised in) operating activities		7 571	(19 291)	4 258	(31 444)
Net cash generated from operations	20	29 772	53 018	19 948	34 152
Finance costs	18	(15 135)	(9 448)	(8 573)	(2 484)
Investment income		4 079	3 475	4 027	3 206
Taxation paid	8	(5 338)	(20 529)	(5 337)	(20 511)
Dividends paid	12	(5 807)	(45 807)	(5 807)	(45 807)
Cash flow (utilised in) investing activities		(30 055)	(147 202)	(25 930)	(161 206)
Additions and improvements to investment property	2	(2 255)	(108 766)	(2 255)	(108 453)
Proceeds on sale of investment properties	2	1 650	–	1 650	–
Additions to investment in associates	5	(25 608)	(36 797)	(25 608)	(36 797)
Loan advanced to associates	5	(3 842)	(1 616)	(3 842)	(1 616)
Acquisition of furniture, fittings computer equipment and motor vehicles		–	(23)	–	(23)
Loan repayment received from subsidiary	4	–	–	6 100	8 000
Advances made to subsidiary	4	–	–	(1 975)	–
Additions to the investment in subsidiary paid to minority shareholders	4	–	–	–	(5 942)
Cash paid to assume the loans of minority shareholders in the subsidiary	4	–	–	–	(16 375)
Cash flow from financing activities		472	38 375	3 671	62 328
Additions to the investment in subsidiary paid to minority shareholders	4	–	(5 942)	–	–
Cash paid to assume the loans of minority shareholders in the subsidiary	4	–	(16 375)	–	–
Payments made on borrowings	11	(4 028)	(4 155)	(829)	(1 540)
Proceeds received on borrowings	11	4 500	64 847	4 500	63 868
Net (decrease) in cash and cash equivalents		(22 012)	(128 118)	(18 001)	(130 322)
Cash and cash equivalents at beginning of year		25 490	153 608	21 226	151 548
Cash and cash equivalents at end of year	9	3 478	25 490	3 225	21 226



Notes to the financial statements

for the year ended 30 June 2018

1. ACCOUNTING POLICIES

1.1 Basis of preparation

The financial statements have been prepared using a combination of the historical cost and fair value basis of accounting.

Prepared in accordance with

International Financial Reporting Standards (IFRS) and SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee	JSE Listings Requirements	Companies Act	Going concern principles
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Functional - and presentation currency

South African Rand

Rounding principles

R'000 (Thousand)

These financial statements comprise the financial statements of Putprop Limited, its subsidiary companies and equity accounted associates and joint operations together referred to as the Group.

Standards and Interpretations effective and adopted in the current year

1.2 Significant accounting estimates and assumptions

In preparing the financial statements, management are required to make estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and the application of judgement are inherent in the formation of estimates. Judgement in these areas is based on historical experience and reasonable expectations relating to future events. Actual results in the future could differ from these estimates, which may be material to the financial statements. Significant estimates made relate to the determination of fair values of investment properties, joint operations and joint ventures, debtors and collections, taxation and trade receivables. Management discusses with the Audit Committee the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of such policies and estimates. Information on the critical estimations and uncertainties that may have significant effects on the amounts recorded and recognised in the financial statements are set out in the following notes in these financial statements:

Investment Properties

Valuations require judgement in the determination of future cash flows from leases and an approximate capitalisation rate. Revaluations are performed annually. The last valuation was done on 30 June 2018 by an independent valuer and included a review of title deed information, town planning conditions, property descriptions and improvements as well as locality. Market conditions and demand, comparable sales and vacant land values were also taken into consideration.

At the statement of financial position date the fair value of the investment property is adjusted to take into account the effect of the straight-lining of the leases in terms of IAS 40 - Investment Property. 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.

Notes to the financial statements

for the year ended 30 June 2018 (Continued)

1.2 Significant accounting estimates and assumptions (Continued)

Trade receivables and loans receivable

Receivable balances are written off when they are delinquent. An allowance is raised on accounts based on management's assessment of the likelihood of collecting receivables outstanding.

Management identifies impairment of trade and loan receivables on an ongoing basis. Impairment adjustments are raised against receivables when the collectability is considered to be doubtful. In determining when an impairment loss should be recorded in the statements of comprehensive income, the Group will make judgements based on age, customer current financial status, security held and disputes existing. In addition, adjustments and judgement may be influenced by industry specific economic conditions. Management believes that the impairment write-offs is sufficient and that there are no significant trade receivables that are doubtful and have not been written off/or provided for.

The long term interest free loan with the subsidiary is discounted at the same interest rate as the loan Putprop Limited has with Nedbank, which is JIBAR +2.97%. The discounting is based on future cash flow forecasts of the subsidiary, Secunda Value Centre (Pty) Ltd, estimating the cash available for settlement of the loan. These estimates are based on current lease agreements and expenses and escalated at the current lease escalation rates and inflation rates.

Cumulative redeemable preference shares in associate

The preference shares are valued based on the 7.2% coupon rate, with an estimated rate of return equal to the prime rate. The redemption of the preference shares is at the option of the issuer, Belle Isle, and have no fixed date of redemption.

Taxation

Tax liabilities are recognised when it is considered probable that there will be a future outflow of funds to a taxing authority. In such cases, provision is made for the amount that is expected to be settled, where this can be reasonably estimated. This requires the application of judgement to the ultimate outcome, which can change over time depending on facts and circumstances. A change in estimate of the likelihood of a future outflow and/or in the expected amount to be settled would be recognised in income in the period in which the change occurs.

1.3 Significant judgements

Joint operations and joint ventures

Where Putprop has contractually agreed to share control of an arrangement management assesses whether a joint arrangement can be classified as a joint operation or joint venture. This depends on whether the joint arrangement has rights to the assets and obligations for the liabilities, relating to the arrangement. A joint operation has rights to the assets and obligations for the liabilities, while a joint venture will only have rights to the net assets of the arrangement. Joint rights to a building, where the title deed is in both party's names is considered to be a joint operation as Putprop has rights to the building and obligations for related liabilities.

Significant influence over investment in associates

An investor is deemed to have power over an entity if that investor has existing rights that give it the current ability to direct the relevant activities of the investee. Having identified the relevant activities of Pilot Peridot One Proprietary Limited as the acquisition, development and leasing of property, management considered whether Putprop has the ability to direct these matters. Certain aspects of the memorandum of incorporation of Pilot Peridot One Proprietary Limited related to the borrowing of funds and the encumbrance of assets than may only be discharged once a special resolution at 75% vote is passed and these will have a specific impact on the acquisition and development aspects of the company's purpose. The fact that such decisions are addressed as a reserved matter requiring a special resolution would therefore place the board of the company in a situation where it is legally not allowed to take a decision on these changes without the assent of 75% of the shareholding. The decisions that are taken on the investments to be made by Pilot Peridot One Proprietary Limited, the nature of the funding that will be utilised and the security offered in order to secure such funding are critical aspects to the determination of the returns that each shareholder will earn from their investments in the entity. IFRS 10 requires that where such a limitation is imposed that consideration must be given to the purpose and design of the entity and the rationale behind the high decision threshold which was to allow for greater participation in the decision-making structures of the entity by the minority shareholders, all of which are evident in the manner in which the entity is currently managed and decision-making is undertaken as all the shareholders are represented at a board level despite the MOI not making provision for this. The accounting policy is currently under review and may be subject to change. Belle Ilse Investments Proprietary Limited is deemed to be significant influence as there is a significant influence thorough board representation , despite the less than 20% shareholding.



Notes to the financial statements

for the year ended 30 June 2018 (Continued)

1.4

Consolidation

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiary as at 30 June 2018.

The results of the subsidiary are included in the consolidated annual financial statements from the effective date that control was acquired to the effective date that control is disposed of or lost.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Non-controlling interest is recognised on a proportionate basis.

1.5

Investment property

Investment property, which is stated at fair value less straight line lease adjustments, constitutes land and buildings held by the Group for rental producing purposes and to appreciate in capital value. Investment properties under development are measured based on estimates prepared by an independent valuer, where this can be determined. If a property is no longer considered a core property or does not meet the Group's strategic requirements, then a sale of the property will be approved and the property transferred to non-current assets held for sale should all the requirements of IFRS 5 - *Non-Current Assets held for sale and discontinued operations* be met. Investment property is measured initially at cost, including transaction costs directly attributable to the acquisition. The carrying amount includes the cost of subsequent expenditure relating to an existing investment property incurred subsequently to add to or to replace a part of a property, if at the time that cost is incurred, it is probable that future economic benefits that are associated with the investment property will flow to the enterprise. Tenant installations are capitalised to the cost of a building. All other subsequent expenditure including the costs of day to day servicing of an investment property is expensed in the period in which it is incurred.

Investment property is maintained upgraded and refurbished as determined by management from time to time, in order to preserve or improve the assets capital value. Maintenance and repair costs which do not add value to the asset or prolong the useful life of the asset is charged against profit and loss in the period incurred.

Effective date of property transactions

In the event of an investment property being disposed or acquired, the effective date of the transaction is generally treated as the date when all suspensive conditions have been met and complied with, and the buyer become contractually entitled to the income and expenses associated with the property and not necessarily when the property is transferred.

Fair value

The fair value of investment properties reflects market conditions. Fair value is determined on the basis of an annual, independent, external valuation carried out by a registered professional valuer. The directors also value the entire property portfolio bi-annually on the fair market value basis. Fair market value is the open market value, which in the opinion of the directors, is the fair market price at which the property could have been sold unconditionally for a cash consideration in an orderly transaction at the date of valuation. Any differences between the respective valuations would be reported in the notes to the financial statements. Gains or losses arising from changes in the fair values of investment property are recognised in the profit or loss in the year in which they arise.

Derecognition

Investment property is derecognised either when they have been disposed of or when the investment is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property (the difference between the sale proceeds and the carrying amount) are recognised in profit or loss in the year of retirement or disposal.

1.6

Investments in associates

Investments in associates are accounted for in the Group using the equity method. Associates are entities in which the Group has significant influence and which is neither a subsidiary nor a joint venture. 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. Under the equity method, the investments are initially recognised at cost and the carrying amount is increased or decreased to recognise the Group's share of the after tax profits or losses of the associates after their acquisition dates. An associates carrying amount includes any long-term loan(s) receivable from the associate for which settlement is neither planned nor likely to occur in the foreseeable future, and forms part of the net investment in entity.

The Company's investments in associates are carried at cost less any impairment. These investments are assessed annually for any impairment indicators.

Notes to the financial statements

for the year ended 30 June 2018 (Continued)

1.7 Joint Arrangements

The Group has various undivided shares in investment properties which are being treated as Joint Operations, hence only the Group's percentage share in the property is included in the consolidated results.

When a Group entity undertakes its activities under Joint Operations, the Group as a joint operator recognise in relation to its interest in a Joint Operation:

- Its assets, including its share of any assets held jointly;
- Its liabilities, including its share of any liabilities incurred jointly;
- Its revenue, including its share of revenue arising from the sale of the output arising from the Joint Operation; and
- Its expenses, including its share of any expenses incurred jointly.

The Group accounts for assets, liabilities, revenue and expenses relating to its interest in a Joint Operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

1.8 Investments in Subsidiaries

The investment in subsidiary is carried at cost in the Company's financial statements less any accumulated impairment

1.9 Financial instruments

Initial recognition

Financial instruments are recognised on the statements of financial position as either an asset, liability or equity when the Group becomes a party to the contractual provisions of the instrument. Initial measurement is at fair value which includes transaction costs.

Financial instruments recognised on the statements of financial position include trade and other receivables, cash and cash equivalents loans to associates and subsidiaries trade and other payables and loan liabilities.

The Group determines the classification of its financial instruments on initial recognition.

Subsequent to initial recognition financial instruments are measured as follows:

Financial assets

The Group's principal financial assets are trade and other receivables, loans receivable and cash and cash equivalents.

These are classified as loans and receivables that are subsequently measured at amortised cost, using the effective interest rate method.

Loans and trade and other receivables

After initial measurement loans and receivables are carried at amortised cost less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term investments that are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand, and deposits held on call with banking institutions, all of which are available for use by the Group.

Financial liabilities

The Group's principal financial liabilities are trade and other payables and loan liabilities. These are classified as other financial liabilities that are subsequently measured at amortised cost using the effective interest rate method.

Trade and other payables and loan liabilities

Any difference between the proceeds (net of transaction costs) and the settlement of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs. The Group elected not to capitalise borrowing costs to investment properties measured at fair value.



Notes to the financial statements

for the year ended 30 June 2018 (Continued)

1.9 Financial instruments (Continued)

Derecognition of financial instruments

Financial assets

A financial asset is derecognised when the rights to receive cash flows from the asset have expired.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

Impairment of financial assets

The Group assesses at each reporting date whether any asset or group of financial assets are impaired. Impairment losses on loans and receivables are determined based on specific and objective evidence that assets are impaired and measured as the difference between the carrying amount of assets and the present value of the expected future cash flows.

Objective evidence of impairment includes:

- Abnormal late payments;
- Change in credit ratings; and
- Advice of cash flow difficulties.

1.10 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

1.11 Leases

Group as lessor

The Group currently only has operating leases. Contractual rental income is recognised as revenue in profit and loss on a straight-line basis over the term of the lease. An adjustment is made to contractual rental income earned to bring to account in the current period the difference between rental income that the Group is currently entitled to and the rental for the whole term of the lease calculated on a smoothed straight-line basis.

1.12 Taxation

Current taxation

The charge for current tax is based on the results for the year as adjusted for income that is exempt and expenses that are not deductible and any adjustment for tax payable or receivable for previous years. Current income tax liabilities/(assets) for the current and prior periods are measured at the amount expected to be paid to/(recovered from) the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted by the reporting date.

Deferred taxation

A deferred tax liability is the amount of income taxes payable in future periods in respect of taxable temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. A deferred tax liability is recognised for all taxable temporary differences.

1.13 Revenue recognition

Revenue comprises operating lease income, operating expense recoveries charged to tenants and interest income. Value added taxation is excluded.

Notes to the financial statements

for the year ended 30 June 2018 (Continued)

1.13 Revenue recognition (Continued)

Property rental

Rental revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. Rentals earned from operating leases are recognised in accordance with the leases policy in 1.11 above.

Operating expense recoveries

Revenue is recognised to the extent that recoveries of expenses are made from tenants, based on the contractual right to recover the amount. It is measured at the fair value of the consideration received and represents amounts recoverable for rental recoveries in the normal course of business, net of tax.

1.14 Finance costs

Borrowing costs are expensed as and when incurred, as the Group elected not to capitalise borrowing costs to investment properties measured at fair value. There are no other qualifying assets.

1.15 Segmental reporting

The core business of the Group is property rental, which is reported into segments based on the nature and business functions of the tenants for JSE reporting purposes.

Segments are identified on the nature of the property and tenants underlying business. Corporate segments expenses relate to head office expenditure and income.

The following segments are listed in this report: industrial, retail, commercial and corporate.

The Group operates in the greater Gauteng area, the North West and Mpumalanga provinces. The individual locations are listed on pages 68 and 69 of this report.

The measurement policies the Group uses for segment reporting under IFRS 8 - Operating Segments are the same as those used in its financial statements, except corporate administrative expenses and investment and other income are not included in determining at operating profit of the Operating Segments.

1.16 Related parties

A related party in the case of the Group, is a person or entity that is related to the entity that is preparing its financial statements by means of:

- (i) control or joint control over the Group; or
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group.

An entity is related to the Group if:

- (i) The entity and the Group are members of the same group;

1.17 Employee benefits

The cost of short term employee benefits (those payable within 12 months of rendering of service) are recognised in profit and loss in the period in which the related service is provided.

1.18 New and revised International Financial Reporting Standards ("IFRS") issued

The Group has not applied various IFRS and IFRIC interpretations that have been issued and could be expected to be applicable but which are not yet effective, and does not plan on early adoption.



Notes to the financial statements

for the year ended 30 June 2018 (Continued)

1.18 New and revised International Financial Reporting Standards ("IFRS") issued. (Continued)

New and forthcoming accounting standards		
STANDARD	Details of the Standard or Amendment	Annual periods beginning on or after
IAS 7 Statement of Cash Flows	- Amendment: New disclosure requirements for liabilities arising from financing activities: - Changes from financing cash flows; - Changes from obtaining or losing control of subsidiaries; - Effect of changes in foreign exchange rates; - Changes in fair values; and - Other changes	01 January 2017 (prospectively)
IFRS 9 Financial Instruments	New standard that replaces IAS 39. The standard incorporates classification and measurement requirements that are driven by cash flow characteristics and the Group business model. Financial instruments are classified into one of three classes: amortised cost, fair value through profit or loss and fair value through other comprehensive income. The standard also incorporates a forward looking 'expected loss' impairment. Hedge accounting has been substantially modified and is more aligned with risk management activities. Assessment: The Group currently has limited financial instruments, all of which are carried at amortised cost. As such the effect of IFRS 9 is assessed to not be material.	1 January 2018
IFRS 15 Revenue from contracts with customers	New standard that establishes a single, comprehensive and robust framework for the recognition, measurement and disclosure of revenue. Assessment: The Group has assessed the recognition, measurement and disclosure requirements of IFRS 15. The effect of IFRS 15 is assessed to not be material with regards to the recognition and measurement of revenue, but will impact on the disclosure of revenue.	1 January 2018
IFRS 16 Leases	New standards that introduces a single accounting model for lessees, while the accounting for lessors is left largely unchanged from its predecessor (IAS17 Leases). Assessment: The standard will not have a material effect on the Group, as the Group are lessors of properties, for which the accounting model is left largely unchanged.	1 January 2019

Notes to the financial statements

for the year ended 30 June 2018 (Continued)

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
2. INVESTMENT PROPERTY				
Property acquisitions and development costs	339 549	341 401	220 021	221 874
Capital expenditure and tenant installations	30 706	26 753	30 706	26 753
Cumulative gain from gross fair value adjustment of investment property	222 646	214 604	213 573	209 631
Straight-line rental income adjustment - refer note 3	(19 035)	(10 817)	(11 106)	(7 047)
Net investment property 30 June	573 865	571 941	453 194	451 211
2.1 Movement for the year				
Investment property 1 July	571 941	454 071	451 211	336 299
Capital expenditure and tenant installations	2 255	—	2 255	—
Acquisitions and development costs	—	108 767	—	108 454
Disposals	(1 650)	—	(1 650)	—
Change in gross fair value of investment property - refer to note 15	9 538	14 114	5 437	9 927
Straight-line rental income adjustment - refer note 3	(8 218)	(5 011)	(4 058)	(3 469)
Net investment property 30 June	573 865	571 941	453 194	451 211
Investment Property held as security over the loan liabilities in note 11 are as follows:				
• Erf 27 and 28, Corridor Hill, Mpumalanga to the value of R46 450 516 (2017: R44 052 948); • Erf 8839, Secunda, Ext 60, Mpumalanga to the value of R125 839 208 (2017: R120 730 514); and • Section 1 of 55 Oakhurst, Portion 1 and 2 of Erf 915 Parktown to the value of R75 500 000.				
Refer to page 58 to 69 for the property disclosures in terms of JSE Listing Requirements paragraph 13.18 and 13.19.				
After 30 June 2018, three properties, Lea Glen 2, Lea Glen 3 and Grand Central have been sold. The conditions for the assets to be held for sale in terms of IFRS 5 were not present as at 30 June 2018, and only became applicable subsequent to year end.				
3. STRAIGHT LINE RENTAL ADJUSTMENT				
Balance at 1 July	10 817	5 807	7 048	3 578
Current year movement				
Income recognised during the year	8 218	5 011	4 058	3 469
Balance at 30 June	19 035	10 817	11 106	7 047
Reflected on the statement of financial position under:				
Non-current assets	18 355	9 355	10 511	5 585
Current assets	680	1 462	595	1 462
	19 035	10 817	11 106	7 047



Notes to the financial statements

for the year ended 30 June 2018 (Continued)

4 INVESTMENT IN ASSOCIATES, SUBSIDIARIES AND JOINT OPERATION

4.1 Interest in subsidiaries

	Nature of business	Issued share capital	% held in issued share capital		Cost of shares held		Amount owing by/(to) subsidiary	
			2018	2017	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Secunda Value Centre (Pty) Ltd	Retail Centre	1 000	100	100	5 942	5 942	21 292	25 417
Baraville (Pty) Ltd*	Dormant	2 000	100	100	*	*	*	*
Edenvale Bus Service (Pty) Ltd*	Dormant	1 000	100	100	*	*	*	*
Namasota (Pty) Ltd*	Dormant	1 000	100	100	*	*	*	*
Putfield (Pty) Ltd*	Dormant	1 000	100	100	*	*	*	*

* Less than R1 000

All subsidiaries are incorporated in South Africa and all operations are in South Africa.

The loan to Secunda Value Centre (Pty) Ltd is unsecured, interest free and has no fixed terms of repayment.

Secunda Value Centre changed its year end from 28 February 2018 to 30 June 2018 as at 30 June 2018.

4.2 Investment in associates

Unlisted associates	% held	Nature	Acquisition date
Belle Isle Investments Proprietary Limited	17.946	Mixed use retail/commercial	June 2006
Pilot Peridot One Proprietary Limited	61.211	Mixed use retail/commercial	April 2012

All associates are incorporated in South Africa and all operations are in South Africa.

Belle Isle has a 28 February year end. The figures as equity accounted and included in the consolidation are based on annual audited figures for the February year end as well as the audited figures for the four months ended in 30 June.

There were no material adjustments since the audited February year end.

For details on the amounts as disclosed in the statement of financial position and the statement of comprehensive income, refer to note 5.

For details on the aggregate financial information of the associates, refer to note 6.

4.3 Investment in joint operation

Unlisted joint operations	% held	Nature	Acquisition date
Corridor Hill Retail Centre	50	Retail	May 2015

The joint operation is incorporated in South Africa and all operations are in South Africa.

This joint arrangement is classified as a joint operation. As per the co-ownership agreement each party has 50% contractual share in the underlying asset and it is therefore classified as a joint operation.

Notes to the financial statements

for the year ended 30 June 2018 (Continued)

	Group	
	June 2018 R'000	June 2017 R'000
5. INVESTMENT IN ASSOCIATES		
5.1 Investment in associates - combined		
Balance at the beginning of the year	117 244	102 076
Additions to investment in associate - cash	2 503	22 369
Additions to investment in associate - non-cash	–	2 807
Share of profits and (losses) excluding fair value adjustment	1 697	689
Loan advances to associates - cash- interest free, repayment is unlikely	20 606	14 428
Loan advances to associates - non-cash- interest free, repayment is unlikely	–	5 298
Share of fair value adjustment on investment property	(20 354)	2 360
Cumulative, redeemable preference shares in associate	–	(32 783)
Balance at the end of the year	121 697	117 244
Reconciled as follows:		
Cost	118 585	92 799
Share of net retained profits since acquisition	3 363	1 666
Movement in fair value investment property	(251)	22 779
Balance at the end of the year	121 697	117 244

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
5.2 Investment In Associates - Individual				
Belle Isle (Pty) Ltd - 17.946%				
(2017: 16.682%)				
Centurion Gate retail centre				
Balance at the beginning of the year	31 139	38 939	11 925	16 213
Share of fair value adjustment on investment property	(6 141)	3 113	–	–
Additions to investment in associate - cash	1 099	20 005	1 099	20 005
Additions to investment in associate - dividend in specie	–	–	–	8 490
Share of profits and (losses) excluding fair value adjustment	2 162	1 865	–	–
Cumulative, redeemable preference shares in associates	–	(32 783)	–	(32 783)
Balance at the end of the year	28 259	31 139	13 024	11 925



Notes to the financial statements

for the year ended 30 June 2018 (Continued)

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
5.2 Investment In Associates - Individual (Continued)				
Pilot Peridot One (Pty) Ltd - 61.21% (2017: 53.46%)				
Summit Place Menlyn Mixed Use Centre				
Balance at the beginning of the year	86 105	63 136	83 607	58 710
Additions to investment in associate - cash	1 404	2 364	1 404	2 364
Additions to investment in associate - non-cash	–	2 807	–	2 807
Share of profits and (losses) excluding fair value adjustment	(464)	(1 176)	–	–
Loan advances to associates - cash - interest free, repayment is unlikely	20 606	14 428	20 606	14 428
Loan advances to associates - non-cash - interest free, repayment is unlikely	–	5 298	–	5 298
Share of fair value adjustment on investment property	(14 213)	(753)	–	–
Balance at the end of the year	93 438	86 105	105 617	83 607
5.3 Loans to associates not equity accounted				
Interest bearing at the prime bank overdraft rate +3% and repayable on demand with 12 month notice period	5 458	1 616	5 458	1 616
5.4 Cumulative, redeemable preference shares in associates	35 273	32 783	35 273	32 783

The terms of the preference shares are as follows: cumulative at a 7.2% coupon rate, redeemable at the option of Belle Isle with no fixed date of redemption. The rate of return was used to discount the investment the prime rate, at the date of investment.

During the year an additional investment of 3 620 477 preference shares (1.58%) was acquired for a cash consideration of R1.054 million.

Notes to the financial statements

for the year ended 30 June 2018 (Continued)

6. AGGREGATE FINANCIAL INFORMATION: UNLISTED

	Belle Isle 2018 R'000	Pilot Peridot 2018 R'000
6.1 Aggregate investment information 30 June 2018		
Aggregate financial information: unlisted		
Non-current assets	424 650	517 161
Current assets	13 968	15 704
Non-current liabilities	(299 596)	(298 685)
Current liabilities	(747)	(36 193)
Revenue	42 316	52 355
(Loss) after taxation	(21 937)	(25 128)
Other comprehensive income	–	–
Total comprehensive loss	(21 937)	(25 128)
Net Asset value	138 275	197 987
Share in net asset value	24 815	121 196
Shareholders loans not yet accounted for in the carrying amount of the associate - see note 23	–	(15 103)
Profit not accounted for as % shareholding throughout the year was 53.46%. The additional purchase of 7.75% was only effective at year end	–	(92)
Loan accounted for as financial asset and not part of the carrying amount of associate - see note 5	–	(5 458)
Goodwill/(Bargain) on acquisition of share investment	3 444	(7 105)
Investment carrying value	28 259	93 438

	Belle Isle 2017 R'000	Pilot Peridot 2017 R'000
6.2 Aggregate investment information 30 June 2017		
Aggregate financial information: unlisted		
Non-current assets	424 791	489 020
Current assets	20 311	10 681
Non-current liabilities	(281 707)	(290 466)
Current liabilities	(5 020)	(6 751)
Revenue	38 362	27 059
Profit (Loss) after taxation	29 836	(5 081)
Other comprehensive income	–	–
Total comprehensive income	29 836	(5 081)
Net Asset value	158 375	202 484
Share in net asset value	26 420	108 250
% shareholding in preference share capital is at 20.853%	3 005	–
Shareholders loans not yet accounted for in the carrying amount of the associate - see note 23	–	(15 964)
Loss not accounted for as % shareholding throughout the year was 37.951%. The additional purchase of 15.51% was only effective at year end	–	788
Loan accounted for as financial asset and not part of the carrying amount of associate - see note 5	–	(1 616)
Goodwill/(Bargain) on acquisition of share investment	1 714	(5 353)
Investment carrying value	31 139	86 105



Notes to the financial statements

for the year ended 30 June 2018 (Continued)

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
7. TRADE AND OTHER RECEIVABLES				
Financial assets				
Rental receivables	5 742	4 852	5 481	4 852
Impairment of receivables	(500)	(500)	(500)	(500)
Trust account	–	984	–	984
Deposits paid	1 207	439	320	–
	6 449	5 775	5 301	5 336
Non-Financial assets				
Sundry receivables	27	362	27	362
	6 476	6 137	5 328	5 698

The carrying value of these receivables approximates their fair values, due to their short-term nature. Further information on receivables is set out in note 14.

8. TAXATION	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
8.1 TAXATION RECONCILIATION				
Normal taxation Current year	5 237	9 197	5 237	9 197
Deferred taxation Current year	3 851	4 593	1 623	2 603
Deferred taxation Prior year change in estimate	(52)	–	–	–
	9 036	13 790	6 860	11 800
Reconciliation of the standard tax rate				
Standard taxation rate	28	28	28	28
Non deductible losses from associates, donations and capital expenses	34.39	0.71	1.03	0.73
Non-taxable dividend income	(6.55)	(1.66)	(3.94)	(4.70)
Capital gains tax rate less than statutory rate at 80%	(0.94)	0.22	(0.58)	(0.71)
Capital gain on sale of investment property with no profit on sale in profit and loss as it was sold at fair value	1.93	–	1.17	–
Prior period adjustment to estimate	(0.33)	(1.30)	–	(0.13)
Net increase (decrease)	28.50	(2.03)	(2.32)	(4.81)
Effective taxation rate	56.50	25.97	25.68	23.19

Notes to the financial statements

for the year ended 30 June 2018 (Continued)

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
8.2 DEFERRED TAXATION				
Deferred liability comprises:				
Assessed loss available for set off against future taxable income	(1 930)	(3 713)	(161)	(278)
Section 13 Quinn allowances	4 832	4 981	1 188	778
Fair value adjustments	39 059	38 836	38 803	38 567
Straight-line rental income adjustment	5 330	3 028	3 110	1 973
Other temporary differences	(1 059)	(698)	(975)	(698)
Deferred tax liability	46 232	42 434	41 965	40 342
Movement				
Balance at 1 July	42 434	37 859	40 342	37 739
(Increase) Decrease in assessed loss available for set off against future taxable income	1 782	(838)	115	14
Originating and reversing temporary differences on Section 13 Quinn allowance	(148)	2 271	410	471
Fair value adjustments	223	2 039	237	1 447
Straight-line rental income adjustment	2 301	1 403	1 136	971
Other temporary differences	(360)	(300)	(275)	(300)
Balance at 30 June	46 232	42 434	41 965	40 342
Assessed loss available	6 892	13 261	574	993
8.3 TAXATION PAID				
Amount owing at beginning of year	(811)	10 503	(811)	10 503
Current taxation	5 237	9 197	5 237	9 197
Amount owing at end of year	911	811	911	811
	5 337	20 511	5 337	20 511

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
9. CASH AND CASH EQUIVALENTS				
Cash and cash equivalents consist of:				
Cash on hand and deposits held with banking institutions	3 478	25 490	3 225	21 226
	3 478	25 490	3 225	21 226

Included in cash and cash equivalents as at 30 June 2017 is cash of R24 000 000 reserved for payment for the acquisition of the additional 15.73% in Pilot Period One (Pty) Ltd, the 50 % co-owner of Summit Place, Menlyn, Pretoria. Payment was made during the year.

Cash held at banks earns interest at prevailing market rates. The carrying value of these assets approximate fair value due to the short-term nature thereof.

The Group maintains cash and cash equivalents with various financial institutes with high credit quality.



Notes to the financial statements

for the year ended 30 June 2018 (Continued)

	Group	Company
	2018 R'000	2018 R'000
10. STATED CAPITAL		
Authorised		
500 000 000 shares of no par value		
Issued		
44 672 279 shares of no par value	101 969	101 969

No change in stated capital from the previously reported period.

100% of the unauthorised shares of the Group are under the control of the directors. This authority expires at the next AGM of the Group.

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
11 LOAN LIABILITIES				
Neotrend Holdings Proprietary Limited	4 203	4 203	4 203	4 203
Repayable with a 12 month notice period, unsecured and interest free				
Carleo Enterprises Proprietary Limited	4 500	—	4 500	—
Repayable with a 12 month notice period, unsecured and bears interest at the prime bank rate.				
Standard Bank	18 297	18 708	18 297	18 708
This loan bears interest at the prime rate and the monthly instalments consist of the varying interest accruing monthly and capital settlement of R55 417, (2017: R55 417). The final balloon settlement of R14.2 million is due on 31 December 2021. The bond is secured by investment property as per note 2.				
Nedbank - 1001738252	60 204	60 621	60 204	60 621
The loan is repayable in monthly instalments of R541 488 (2017: R540 000). Interest rate charged is JIBAR plus 2.97%. At 30 June 2018 this rate was 9.93% (2017: 10.28%). A balloon payment of R53.4 million is payable at the end of the term in May 2023. The bond is secured by investment property as per note 2.				
Nedbank - 30150755	32 911	33 656	—	—
The loan is repayable in monthly instalments of R368 260 (2017: R440 007). The interest rate is fixed at a rate of 10.93% per annum. There is a balloon payment of R13 million at the end of the term in August 2025. This loan is secured over investment property as per note 2.				

Notes to the financial statements

for the year ended 30 June 2018 (Continued)

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
11. LOAN LIABILITIES (CONTINUED)				
Nedbank - 30151232	3 645	3 901	–	–
The loan is repayable in monthly instalments of R55 348 (2017: R52 215). The interest rate is fixed at 10.46%, reverting to prime rate after 5 years in 2020. There is no balloon payment on this loan. This loan is secured over investment property as per note 2.				
Nedbank - 30151238	26 332	28 530	–	–
The loan is repayable in monthly instalments of R391 450 (2017: R398 652) and bears interest at prime less 1% per annum. There is no balloon payment on this loan. This loan is secured over investment property as per note 2.				
	150 092	149 619	87 204	83 532
Non-current	144 395	146 710	85 551	83 532
Current	5 697	2 909	1 653	–
	150 092	149 619	87 204	83 532
For further information, refer to note 14. The carrying amounts of interest bearing loans approximate their fair values as interest is charged at market related interest rates. The carrying amount of the interest-free loan approximates the fair value as the effect of discounting is insignificant.				
12. DIVIDENDS DECLARED				
Ordinary				
Dividend 56 – Final 2017: 7 cents (2016: 7 cents)	3 127	3 127	3 127	3 127
Dividend 57 – Interim 2018: 6 cents (2017: 6 cents)	2 680	2 680	2 680	2 680
	5 807	5 807	5 807	5 807
Total cents per share distributed	13	13	13	13
Dividend 58 declared after 30 June 2018 of 7 cents per share (2017: Dividend 58 declared after 30 June 2017: 7 cents per share)	3 127	3 127	3 127	3 127



Notes to the financial statements

for the year ended 30 June 2018 (Continued)

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
13. TRADE AND OTHER PAYABLES				
Financial liabilities				
Accrued expenses and trade creditors	1 912	1 547	1 663	1 240
Purchase price payable on purchase of additional interests in subsidiary and associates	–	8 106	–	8 106
Sundry creditors	3 153	1 748	2 964	1 645
	5 065	11 401	4 626	10 991
Non-Financial liabilities				
Audit fee accrual	496	492	488	492
Value added tax	696	952	555	943
Income received in advance	487	–	487	–
	6 744	12 845	6 157	12 426

The carrying value of these payables approximates their fair values due to their short-term maturities being of 30 – 90 days.

14. FINANCIAL RISK MANAGEMENT

The Group's financial instruments consist mainly of interest bearing borrowing, deposits with banks, accounts receivable and payable which arise directly from its operations, as well as other investments. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and credit risk.

The Board of directors has overall responsibility for the establishment and control of the Group's risk management. The Audit and Risk Committee develops and monitors the Group's risk management policies and reports regularly to the Board of directors on its activities and with any proposals for which action is needed.

The Group's risk management policies in relation to financial instruments are established to identify and analyse all risks faced by the Group. Appropriate risk limits are determined, controls to monitor the adherence to such limits developed and adherence to limits monitored. Risk management policies, systems and procedures are reviewed regularly.

Capital risk management

The Group's objective when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The mandated level of gearing is 35% (2017: 35%) and the level of gearing during the year amounted to 26.7% (2017: 26%). Company levels were 16.61% (2017: 18.2%).

The capital structure of the group consists of debt, which includes loan liabilities disclosed in note 11 and equity as disclosed in the statement of financial position.

There are no externally imposed capital requirements.

Interest rate management

Cash and cash equivalents, used for normal trading purposes, are held in current accounts at prevailing interest rates, depending on the financial institution. Excess cash and cash equivalents are kept in short-term deposit funds or call accounts at the prevailing market rates available.

The Group has borrowings of R150.1 million in the current financial year (2017: R149.6 million). The company has borrowings of R87.2 million (2017: R83.5 million).

The Group's exposure to the risk of changes in market rates relates primarily to the Group's cash and cash equivalents and the borrowings with banking institutions.

Notes to the financial statements

for the year ended 30 June 2018 (Continued)

14. FINANCIAL RISK MANAGEMENT (Continued)

Interest rate risk table

The table below demonstrates the sensitivity to a reasonable, possible change in interest rates with all other variables held constant on the Group's profit before tax.

	Increase/ decrease in base points	Effect on profit before tax R'000 Group	Effect on profit before tax R'000 Company	Effect on profit after tax R'000 Group	Effect on profit after tax R'000 Company
2018	+100	(665)	(354)	(479)	(255)
	-100	665	354	479	255
2017	+100	(255)	382	(183)	275
	-100	255	(382)	183	(275)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, loans to subsidiaries and trade debtors. The Group only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty.

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all new tenants are analysed for creditworthiness and a provision of at least one month's rental deposit insisted upon with the majority of tenants contracted with.

Potential areas of credit risk comprise mainly rental receivables. Rental receivables comprise a relatively small tenant base, the majority of whom are national tenants. A significant concentration of credit risk exists with one of the Group's tenants who contributes 38% (2017: 48%) of the rental receivables. There are no other significant concentrations of credit risk. The concentrations are determined based on the type of tenant leasing the property. The Group monitors the financial position of its tenants on a regular basis.

The maximum exposure to credit risk at year end is R50.658 million (2017: R65.664 million). Company: R70.549 million (2017: R86.379 million).

All of Putprop Limited's trade and other receivables have been reviewed for impairment. Certain trade receivables have been found to be impaired and a provision of R500 000 has been recorded (2017: R500 000). The individually impaired receivables relate to non-national tenants who are experiencing financial difficulties in the present economic climate.

Disclosure of receivables past due but not impaired

Amounts uncollected one day or more beyond their contractual due date are considered "past due." As at 30 June 2018 trade receivables of R5.2 million (2017: R4.3million) were past due but not impaired for the Group and Company.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets and projected cash flows from operations.

The Group has minimised its liquidity risk by ensuring that it has adequate banking facilities and reserve borrowing capacity.

The exposure to liquidity risk at year end is reflected below.

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Less than 1 year	23 922	28 199	13 817	17 202
Between 1 and 2 years	20 063	24 215	9 715	13 524
Between 2 and 5 years	124 378	74 919	91 991	42 847
Over 5 years	42 209	112 211	–	61 263



Notes to the financial statements

for the year ended 30 June 2018 (Continued)

14. FINANCIAL RISK MANAGEMENT (Continued)

The carrying amounts of financial assets and liabilities in each category are determined as follows:

Financial instruments by category

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Financial assets at amortised cost				
Assets per statement of financial position	50 658	65 664	70 549	86 378
Cash and cash equivalents	3 478	25 490	3 225	21 226
Trade and other receivables	6 449	5 775	5 301	5 336
Loans to subsidiary	—	—	21 292	25 417
Loan to associate	5 458	1 616	5 458	1 616
Cumulative redeemable preference shares in associate	35 273	32 783	35 273	32 783
Financial liabilities at amortised cost				
Liabilities per statement of financial position	155 164	161 020	91 830	94 524
Trade and other payables	5 072	11 401	4 626	10 991
Loan liability	150 092	149 619	87 204	83 532

15. FAIR VALUE MEASUREMENT OF NON-FINANCIAL ASSETS.

Investment properties

The external valuation by a sworn independent appraiser and member of the Royal Institute of Chartered Surveyors, JLL Inc. represented by Joshua Askew (FRICS), was carried out on 100% of the Group's property portfolio in June 2018.

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Open market value	592 900	582 758	464 300	458 257
Increase from prior year valuation - based on the portfolio, net of acquisitions and disposals	9 538	14 114	5 437	9 927

The valuations stated are in line with the director's valuations of the same properties. The fair value of commercial, industrial and retail properties are estimated using an income approach which capitalises the estimated market related rental income stream, net of projected operating costs, using a discount rate derived from current market yields.

The estimated rental stream takes into account:

- Market net rental and market net rental growth
- Occupancy rates
- Vacancy periods

The most significant inputs, all of which are unobservable, are:

- Market net rental and market net rental growth
- Capitalisation rates based on equivalent yield rates
- Present value of reversionary income

The estimated fair value increases if the estimated rental increases, vacancy levels decline or if market yields and capitalisation rates decline.

The fair values of land for development was determined using the comparable sales method. The comparable sales method includes unobservable bulk rates for undeveloped land.

	2018		2017	
Capitalisation rates	From	To	From	To
Industrial	7.07%	11.48%	9.50%	17.00%
Retail	8.18%	11.29%	8.50%	10.50%
Commercial	9.39%	10.13%	8.25%	10.25%

Notes to the financial statements

for the year ended 30 June 2018 (Continued)

15. FAIR VALUE MEASUREMENT OF NON-FINANCIAL ASSETS. (Continued)

Sensitivity analysis	Group		Company	
	2018	2017	2018	2017
0.25% increase in capitalisation rates effect on value in R'000	(13 883)	(13 692)	(9 283)	(10 135)
0.25% decrease in capitalisation rates effect on value in R'000	11 053	14 403	9 753	10 631
0.25% increase in capitalisation rates effect on value as a percentage	(2.34%)	(2.35%)	(2.00%)	(2.21%)
0.25% decrease in capitalisation rates effect on value as a percentage	1.86%	2.47%	2.10%	2.32%

The analysis has been prepared on the assumption that all other variables remain constant. The range of capitalisation rates applied to the portfolio are dependent on the risk profile of each portfolio asset (see above).

The following table reflects the level within the hierarchy of non-financial assets measured at fair value at 30 June 2018.

	Group		Company	
	2018 Level 3 R'000	2017 Level 3 R'000	2018 Level 3 R'000	2017 Level 3 R'000
Assets				
Investment properties	592 900	582 758	464 300	458 257

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
16. PROPERTY REVENUE AND OPERATING COST RECOVERIES				
Contractual revenue rental	54 193	52 270	44 195	42 836
Operating cost recoveries	10 560	16 584	6 793	13 408
Straight line rental income	8 218	5 011	4 058	3 469
	72 971	73 865	55 045	59 713

	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
17. PROPERTY EXPENSES				
Municipal costs	13 715	14 445	11 746	13 229
Repairs and maintenance	2 186	2 379	1 792	2 247
Property management and consultant fees	1 365	375	1 092	85
Insurance	647	1 303	603	1 038
Cleaning and security	2 053	1 572	1 380	832
	19 966	20 074	16 613	17 431
Direct operating expenses on properties not generating rental income	2 770	2 513	2 770	2 513
18. FINANCE COSTS				
Interest on loans with related parties	250	—	250	—
Interest on loans with banks	14 866	9 448	8 304	2 484
Other interest paid	19	—	19	—
	15 135	9 448	8 573	2 484



Notes to the financial statements

for the year ended 30 June 2018 (Continued)

	Group 2018 R'000	Group 2018 Cents per share	Group 2017 R'000	Group 2017 Cents per share
19. RECONCILIATION OF GROUP NET PROFIT TO HEADLINE EARNINGS				
Earnings per share	6 956	15.57	39 307	87.99
Adjusted for:				
Net change in fair value of investment property	(1 319)	(2.95)	(14 115)	(31.59)
Tax effects of fair value adjustments to property	296	0.66	3 162	7.07
Equity accounting earnings of associates	26 230	58.72	(4 352)	(9.74)
Tax effect of equity accounting	(5 876)	(13.16)	975	2.18
Capital gain on disposal of investment property	307	0.69	–	–
Headline earnings and diluted earnings	26 594	59.53	24 977	55.91

Weighted average number of shares 44 672 279 (2017: 44 672 279)

	Group 2018 R'000	Group 2017 R'000	Company 2018 R'000	Company 2017 R'000
20. RECONCILIATION OF OPERATING PROFIT BEFORE TAX TO CASH GENERATED FROM OPERATIONS				
Operating profit before tax	15 992	53 097	26 703	50 891
Adjusted for:				
Fair value adjustment of investment properties	(1 319)	(9 104)	(1 379)	(6 458)
Non cash items - equity accounted losses/(profits)	18 657	(3 049)	–	–
Straight-line rental accrual	(8 218)	(5 010)	(4 059)	(3 469)
Depreciation	37	38	37	39
Dividend in specie - non-cash	–	–	–	(8 490)
Investment income	(4 079)	(3 475)	(4 027)	(3 206)
Finance cost	15 135	9 448	8 573	2 484
Cash flow from operating profit before working capital changes	36 204	41 945	25 848	31 791
Movement in working capital	(6 432)	11 073	(5 900)	2 361
Decrease/(increase) in accounts receivable	(339)	15 828	370	6 053
(Decrease)/increase in accounts payable	(6 093)	(4 755)	(6 269)	(3 692)
Cash generated from operations	29 772	53 018	19 948	34 152

Notes to the financial statements

for the year ended 30 June 2018 (Continued)

21.	Segment information					
	30 June 2018	Retail R'000	Commercial R'000	Industrial R'000	Corporate R'000	Total R'000
	Segment revenue	27 401	18 045			
	Contractual rental income and recoveries				27 526	72 971
	Total revenue	27 401	18 045	27 526	–	72 971
	Share of associates losses	(3 980)	(14 677)	–	–	(18 657)
	Segment result					
	Operating profit/(loss)	22 762	14 362	16 851	(9 822)	44 153
	Finance Costs	(8 260)	(6 606)	–	(269)	(15 135)
	Investment and other income received	4 048	–	–	263	4 311
	Fair value adjustments to investment properties	2 930	7 407	(800)	–	9 537
	Straightline rental adjustment	(4 258)	(3 660)	(300)	–	(8 218)
	Net profit/(loss) before tax	13 243	(3 174)	15 751	(9 828)	15 992
	Other information					
	Property assets	233 700	127 800	231 400	–	592 900
	Property asset additions	–	–	–	–	–
	Investment in associates	28 259	93 439	–	–	121 698
	Loan to associate	–	5 458	–	–	5 458
	Cumulative redeemable preference shares in associate	35 273	–	–	–	35 273
	Current taxation receivable	–	–	–	911	911
	Trade and other receivables	179	463	4 608	1 225	6 475
	Cash and cash equivalents	–	–	–	3 478	3 478
	Segment assets	297 411	227 160	236 008	5 614	766 193
	Loan Liabilities	89 888	60 204	–	–	150 092
	Trade and other payables	1 502	–	199	5 051	6 752
	Segment liabilities	91 390	60 204	199	5 051	156 844

One of the Groups tenants, Larimar Limited contributes approximately 38% (2017: 48%) of the total revenue received. This revenue falls within the industrial segment.



Notes to the financial statements

for the year ended 30 June 2018 (Continued)

	Retail R'000	Commercial R'000	Industrial R'000	Corporate R'000	Total R'000
22. SEGMENTAL INFORMATION					
30 JUNE 2017					
Segment revenue					
Contractual rental income and recoveries	29 403	5 696	38 765	–	73 865
Total revenue	29 403	5 696	38 765	–	73 865
Share of associates profits/(losses)	4 978	(1 929)	–	–	3 049
Segmental result					
Operating profit/(loss)	20 142	4 625	29 619	(7 783)	46 603
Finance costs	(8 734)	(648)	–	(66)	(9 448)
Investment and other income received	–	–	–	3 788	3 788
Fair value adjustments to investment properties	5 133	6 272	2 710	–	14 115
Straight line rental adjustment	(1 886)	(742)	(2 382)	–	(5 010)
Net profit/(loss) before tax	19 633	7 578	29 947	(4 061)	53 097
Other information					
Property assets	210 357	29 472	234 164	–	473 993
Property assets - additions	15 237	93 528	–	–	108 765
Investment in associates	31 139	86 105	–	–	117 244
Loan to associate	–	1 616	–	–	1 616
Cumulative redeemable preference shares in associate	32 784	–	–	–	32 784
Trade and other receivables	1 592	154	2 607	1 785	6 138
Cash and cash equivalents	–	–	–	25 490	25 490
Segment assets	291 109	210 875	236 771	27 275	766 030
Loan liabilities	88 998	60 622	–	–	149 620
Trade and other payables	740	–	816	11 289	12 845
Segment liabilities	89 738	60 622	816	11 289	162 465

One of the Groups tenants, Larimar Limited contributes approximately 38% (2017: 48%) of the total revenue received. This revenue falls within the industrial segment.

Notes to the financial statements

for the year ended 30 June 2018 (Continued)

23. RELATED PARTY TRANSACTIONS

The following are considered related party transactions, all of which have been conducted at arms length:

Related Parties Transactions	2018	2017
Trade Receivables		
Larimar Limited	2 504	791
Lease rentals received		
Larimar Limited	20 313	27 013
Operating lease recoveries		
Larimar Limited	1 897	6 092
Rental expense - Premises		
Stephen Hill Mansions	241	241
Insurance expense		
Carleo Enterprises Proprietary Limited	595	560
Directors emoluments	2018	2017
Executive directors		
Bruno Claudio Carleo	1 414	1 245
James Egerton Smith	1 475	1 260
Anna Carleo-Novello	817	710
Total	3 706	3 215
Non-executive directors		
Paul Umberto Nucci	104	83
Daniele Torricelli	167	116
Hayden Thompson Hartley	141	116
Total	412	315

Amounts outstanding between related parties are unsecured, bear no interest and have no fixed terms of repayment.

Larimar Limited is a fellow subsidiary of Carleo Enterprises Proprietary Limited, Putprop's Holding Company.

The key management are the directors and prescribed officers and the details of their remuneration is reflected in the directors' report on page 84.

Loans to associates and subsidiary are disclosed under notes 4 and 5.

The loan from the holding company is disclosed under note 11.

The guarantee offered to Standard Bank for the loan to Corridor Hill Properties Proprietary Limited (formerly known as Neotrend Properties 1 Proprietary Limited) is R12 million (2017: R9 million).

The guarantee offered to Nedbank for the loan to Secunda Value Centre Proprietary Limited is R18 million (2017: R12 million).

The guarantee offered to Standard Bank for the loan to Pilot Peridot Investments One Proprietary Limited is R28.583 million (2017: R50.283 million).

There have been no breaches in the loan terms as per the loan contracts and therefore the guarantees have not been called upon as at the date of issuing these annual financial statements.

There is a commitment after year end as per the signed purchase agreement to assume and settle the purchase amount for the remainder of the shareholder loans purchased in Pilot Peridot to the value of R10.643 million. The commitment only becomes a liability on the statement of financial position as the loans are ceded to Putprop, which occurs as the payment is released in terms of the purchase contract. As such this portion of the purchase consideration is an off-balance sheet liability at year end.



	Group		Company	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
24. FUTURE MINIMUM LEASE INCOME				
Receivable within one year	49 721	49 199	38 709	39 206
Receivable between two and five years	172 365	158 320	117 159	118 417
Receivable after five years	103 579	101 367	66 202	73 827
Total balance contractual lease rental	325 665	308 885	222 071	231 450





SHAREHOLDERS INFORMATION

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Shareholders Information

Dividend announcement

for the year ended 30 June 2018

DECLARATION OF FINAL DIVIDEND NO 58

The Board is pleased to announce the declaration of a dividend of 7 cents per ordinary share in respect of the year ended 30 June 2018 (2017: 7 cents), thus bringing the total dividend payable for the year to 13 cents (2017: 13 cents).

Additional information:

This is a dividend as defined in the Income Tax Act, 1962, and is payable from income reserves. The dividend withholding tax ("DWT") rate is 20%. The net amount payable to shareholders who are not exempt from DWT is 3.20 cents per share, while the gross amount is 4 cents per share to those shareholders who are exempt from DWT.

There are 44 672 279 (2017: 44 672 279) ordinary shares in issue; the total dividend amount payable is R3 127 000 12 (2017: R3 127 059). Putprop's tax reference number is 9100097717, and its company registration number is 1988/001085/06

The salient dates are as follows:

Declaration date	Thursday, 6 September 2018
Last date to trade to participate	Tuesday, 25 September 2018
Trading commences ex dividend	Wednesday, 26 September 2018
Record date	Friday, 28 September 2018
Date of payment	Monday, 1 October 2018

Share certificates may not be dematerialised or rematerialised between Wednesday, 26 September 2018 and Friday, 28 September 2018, both days inclusive.

By order of the Board



J E Smith
Financial Director

Sandton
12 September 2018



Shareholders analysis

for the year ended 30 June 2018

Register date: 30 June 2018

Issued share capital: 44 672 279

	Number of shareholdings	% of total shareholdings	Number of shares	% of shares in issue
Size of holdings				
1 – 1 000 shares	220	40.97	67 069	0.15
1 001 – 10 000 shares	192	35.75	756 003	1.69
10 001 – 100 000 shares	86	16.01	2 840 785	6.36
100 001 – 1 000 000 shares	36	6.70	9 620 610	21.54
1 000 001 shares and over	3	0.56	31 387 812	70.26
	537	100.00	44 672 279	100.00
Distribution of shareholders				
Private companies	27	5.03	30 078 750	67.33
Individuals	440	81.94	5 480 458	12.27
Trusts	44	8.19	5 964 825	13.35
Collective investment schemes	2	0.37	1 601 822	3.59
Custodians	1	0.19	30 000	0.07
Hedge funds	3	0.56	1 221 771	2.73
Benefit funds	2	0.37	88 774	0.20
Stockbrokers and nominees	7	1.30	106 643	0.24
Close corporations	10	1.86	98 136	0.22
Investment partnerships	1	0.19	1 100	0.00
Total	537	100.00	44 672 279	100.00
Shareholder type				
Non-public shareholders	5	0.93	28 643 845	64.12
Directors' and associates' holdings	2	0.36	77 406	0.17
Company holdings	2	0.35	426 663	0.96
Strategic holdings	1	0.18	28 139 776	62.99
Public shareholders	532	99.07	16 028 434	35.88
Total	537	100.00	44 672 279	100.00

Shareholders analysis

for the year ended 30 June 2018

	Number of shareholdings	Total shareholding	% of shares in issue
Beneficial Shareholders with a holding greater than 3% of the shares in issue			
Carleo Enterprises (Pty) Ltd		28 139 776	62.99
Heynen Family Trust		1 925 000	4.31
Oasis Crescent Management Company		1 601 822	3.59
Total		31 666 598	70.89
Fund managers with a holding greater than 3% of the shares in issue			
Allan Gray		2 104 911	4.71
Oasis Crescent Management Company		1 601 822	3.59
Total		3 706 733	9.15
Total number of shareholders	537		
Total number of shares in issue	44 672 279		
JSE share price performance			
Closing price 30 June 2017	R5.60		
Closing price 30 June 2018	R4.50		
Closing high for the period	R 6.30		
Closing low for the period	R 4.50		
Number of shares in issue	44 672 279		
Volume traded during period	989 897	(2017: 1 197 812)	
Ratio of volume traded to shares in issue (%)	2.22	(2017: 2.68)	



Notice of annual general meeting

for the year ended 30 June 2018



Putprop Limited

Incorporated in the Republic of South Africa
(Registration number 1998/001085/06)
Share code: PPR ISIN: ZAE000072310
("Putprop" or "the Company" or "the Group")

In terms of section 59(1) of the Companies Act, 71 of 2008, as amended, ("the Companies Act") notice is hereby given that the annual general meeting of shareholders of Putprop ("Annual General Meeting") will be held at 11:30 on Thursday, 8 November 2018 at the registered office of the Company at 91 Protea Road, Chislehurst, Sandton for the purpose of considering, and, if deemed fit, passing, with or without modification, the resolutions set out hereafter.

Record date

The board of directors of the Company ("the Board") has determined that, in terms of section 62(3)(a), read together with section 59, of the Companies Act the record date for the purposes of determining which shareholders of the Company are entitled to participate in and vote at the Annual General Meeting is Friday, 2 November 2018. Accordingly, the last day to trade Putprop shares in order to be recorded in the Register to be entitled to vote will be Thursday, 30 October 2018.

Action required as follows

Shareholders entitled to attend and vote at the Annual General Meeting may appoint one or more proxies to attend, speak and vote thereat in their stead. A proxy need not be a member of Putprop. Completion of a form of proxy will not preclude such shareholder from attending and voting (in preference to that shareholder's proxy) at the Annual General Meeting.

Proxy forms must be completed by certificated shareholders or "own name" registered dematerialised shareholders who wishes to be represented at the Annual General Meeting.

Dematerialised shareholders (not with "own-name" registration) must notify their Central Securities Depository Participant ("CSDP") or broker of their intention to attend the Annual General Meeting in order for such CSDP or broker to be able to issue them with the necessary letter of representation to enable them to attend the Annual General Meeting, or, alternatively, should the dematerialised shareholder not wish to attend the Annual General Meeting, they should provide their CSDP or broker with their voting instructions. Forms of proxy should be lodged with the Company's transfer secretaries, Computershare Investor Services Proprietary Limited, located at Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, South Africa, or posted to the Company's transfer secretaries at PO Box 61051, Marshalltown, 2107, South Africa, to be received by them by no later than 11:00 on Tuesday, 6 November 2018 (or 48 (forty-eight) hours before any adjournments of the Annual General Meeting which date, if necessary, will be notified on SENS) provided that any form of proxy not delivered to the transfer secretary by this time may be handed to the chairperson of the Annual General Meeting prior to the commencement of the Annual General Meeting, at any time before the appointed proxy exercises any shareholder rights at the Annual General Meeting.

Annual General Meeting participants may be required to provide identification to the reasonable satisfaction of the chairperson of the Annual General Meeting. An official identification document issued by the South African Department of Home Affairs, a driver's license or a valid passport will be accepted as sufficient identification.

Shareholders who have any doubt as to the action they must take should consult their accountant, attorney, banker or other professional advisor immediately. On a poll, ordinary shareholders will have one vote in respect of each share held.

Electronic participation

In terms of section 61(10) of the Companies Act, every shareholders' meeting of a public company must be reasonably accessible within South Africa for electronic participation by shareholders. Therefore, shareholders or their proxies may participate in a meeting by way of a teleconference call if they wish to do so. In this event:

- written notice to participate via electronic communication must be sent to the Group's company secretary, Acorim Proprietary Limited, 2nd Floor, North Block, Hyde Park Office Tower, Corner of 6th Road and Jan Smuts Avenue, Sandton, Johannesburg, to be received by no later than 11:00 on Thursday, 1 November 2018;
- a pin number and dial-in details for the conference call will be provided;
- shareholders will be billed separately by their own telephone service providers for the teleconference call to participate in the Annual General Meeting;



Notice of annual general meeting

for the year ended 30 June 2018 (Continued)

- valid identification will be required:
 - a) if the shareholder is an individual, a certified copy of their identity document and/or passport;
 - b) if the shareholder is not an individual, a certified copy of a resolution by the relevant entity and a certified copy of the identity documents and/or passports of the persons who passed the relevant resolution, specifying the name of the individual that is authorised to represent the relevant entity at the Annual General Meeting by way of teleconference call; and
 - c) a valid email address and/or facsimile number.

Agenda

Presentation of annual financial statements

The summarised consolidated financial statements of the Company (as approved by the Board) for the year ended 30 June 2018 have been distributed and accompany this Notice, as required, and will be presented to shareholders at the Annual General Meeting together with the reports of the Directors and the Audit and Risk Committee. The letter to shareholders accompanying this Notice contains details of where copies of the integrated annual report and annual financial statements are available.

Report from the Social and Ethics Committee

In accordance with Regulation 43(5)(c) of the Companies Act, the chairperson of the Social and Ethics Committee or, in her absence, any member of the committee, will present the committee's report to shareholders at the Annual General Meeting.

Ordinary resolutions

To consider and, if deemed fit, to pass with or without modification all the ordinary resolutions relating to business set out below. More than 50% (fifty percent) of the voting rights exercised on each individual resolution must be exercised in favour of those resolutions.

1. Ordinary Resolution number 1: Re-election of Director

D. Torricelli retires in accordance with article 25.7 of Putprop's memorandum of incorporation ("MOI"), but being eligible to do so, offers himself for re-election.

"Resolved, as an ordinary resolution, that D Torricelli be and is hereby re-elected as an independent non-executive director of Putprop."

Rationale: Putprop's MOI and, to the extent applicable, the Companies Act requires that one-third of Putprop's non-executive directors rotate at the Annual General Meeting and can be eligible for re-election.

D Torricelli's abbreviated *curriculum vitae* appears on page 33 of the Integrated Annual Report to which this Notice is attached.

2. Ordinary Resolution number 2: Confirmation of appointment of Director

It is hereby brought to the attention of the shareholders that G Van Heerden was appointed as an independent non-executive director of Putprop on 1 July 2018.

"Resolved, as an ordinary resolution, that the appointment of G Van Heerden as an independent non-executive director of Putprop, with effect from 1 July 2018, be and is hereby confirmed."

G Van Heerden's abbreviated *curriculum vitae* appears on page 34 of the Integrated Annual Report to which this Notice is attached.

3. Ordinary Resolution number 3: Confirmation of appointment of Director

It is hereby brought to the attention of the shareholders that R Styber was appointed as an independent non-executive director of Putprop on 1 July 2018.

"Resolved, as an ordinary resolution, that the appointment of R Styber as an independent non-executive director of Putprop, with effect from 1 July 2018, be and is hereby confirmed."

R Styber's abbreviated *curriculum vitae* appears on page 34 of the Integrated Annual Report to which this Notice is attached.

Notice of annual general meeting

for the year ended 30 June 2018 (Continued)

4. Ordinary Resolution number 4: Election of independent non-executive directors to the Audit and Risk Committee

To consider and, if deemed fit, elect the following independent non-executive directors as members of Putprop's Audit and Risk Committee, with effect from the end of this Annual General Meeting. Subject to ordinary resolution number 1 being approved, shareholders elect, by way of a separate vote, each of the following:

Ordinary resolution number 2.1

"Resolved, as an ordinary resolution, that H Hartley be and is hereby elected as a member and chairperson of Putprop's Audit and Risk Committee."

Ordinary resolution number 2.2

"Resolved, as an ordinary resolution and subject to the passing of ordinary resolution number 1, that D Torricelli be and is hereby elected as a member of Putprop's Audit and Risk Committee."

Ordinary resolution number 2.3

"Resolved, as an ordinary resolution, that G Van Heerden be and is hereby elected as a member of Putprop's Audit and Risk Committee."

Ordinary resolution number 2.4

"Resolved, as an ordinary resolution, that R Styber be and is hereby elected as a member of Putprop's Audit and Risk Committee."

Rationale: In terms of the Companies Act, Putprop as a public company must appoint an audit committee and the members of such audit committee must be appointed, or reappointed as the case may be, at each Annual General Meeting.

Abbreviated *curricula vitae* in respect of each member of the Audit and Risk Committee appears on pages 32 to 34 of the Integrated Annual Report to which this Notice is attached.

5. Ordinary resolution number 5: Re-appointment of external auditor

"Resolved, as an ordinary resolution, that Mazars be re-appointed, on the recommendation of the current Audit and Risk Committee, as Putprop's independent registered auditors with Susan Truter being the individual registered auditor who has undertaken the audit of the Group for the ensuing financial year and the directors be and are hereby authorised to determine the auditors' remuneration."

At Putprop's Audit and Risk Committee meeting held on 22 August 2018, the committee considered the independence of Mazars and has satisfied itself thereof.

Rationale: In terms of the Companies Act, Putprop, as a public company, must have its financial results audited and such an auditor must be appointed or reappointed each year at the Annual General Meeting.

6. Ordinary resolution number 6: Advisory endorsement of remuneration policy and implementation report

Ordinary resolution number 6.1

"Resolved that Putprop's remuneration policy, as set out on page 52 of the Integrated Annual Report, be and is hereby endorsed, by way of a non-binding advisory vote."

Ordinary resolution number 6.2

"Resolved that the remuneration implementation report, as set out on page 52 of the Integrated Annual Report, be and is hereby endorsed, by way of a non-binding advisory vote."

Note: Failure to pass these resolutions will not have any legal consequences relating to existing arrangements. However, the Board will take the outcome of the vote into consideration when assessing Putprop's remuneration policy.

Rationale: King IV requires companies to table their remuneration policy and implementation report each year to shareholders for separate non-binding advisory vote at the Annual General Meeting.



Notice of annual general meeting

for the year ended 30 June 2018 (Continued)

7. Ordinary resolution number 7: Control of authorised but unissued ordinary shares

"Resolved, as an ordinary resolution, that, subject to the provisions of sections 38 and 41 of the Companies Act, Putprop's MOI and the Listings Requirements of the JSE Limited ("JSE Listings Requirements"), the authorised but unissued ordinary shares in the capital of Putprop be and are hereby placed under the control and authority of the Board and that the Board be and is hereby authorised and empowered to allot and issue all or any of such ordinary shares, or to issue any options in respect of all or any of such ordinary shares, to such person/s on such terms and conditions and at such times as the directors may from time to time and in their discretion deem fit."

8. Ordinary resolution number 8: Approval to issue ordinary shares, and to sell treasury shares, for cash

"Resolved, as an ordinary resolution, that the directors of the Putprop, and/or any of its subsidiaries from time to time, be and are hereby authorised, by way of a general authority, to –

- allot and issue, or to issue any options in respect of, all or any of the authorised but unissued ordinary shares in the capital of Putprop; and/or
- sell or otherwise dispose of or transfer, or issue any options in respect of, ordinary shares in the capital of Putprop purchased by any of its subsidiaries,

for cash, to such person/s on such terms and conditions and at such times as the directors may from time to time in their discretion deem fit, subject to the Companies Act, Putprop's MOI, the memoranda of incorporate of any of Putprop's subsidiaries, and the JSE Listings Requirements from time to time."

The JSE Listings Requirements currently provide, *inter alia*, that:

- this general authority will be valid until the earlier of Putprop's next Annual General Meeting or the expiry of a period of 15 (fifteen) months from the date that this authority is given;
- the securities which are the subject of the issue for cash must be less than 30% of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
- any such issue may only be made to "public shareholders" as defined in the JSE Listings Requirements and not to related parties;
- the securities which are the subject of a general issue for cash may not exceed 15% (fifteen percent) of the number of listed securities, excluding treasury shares, as at the date of this notice, being 6 700 841 securities. Any securities issued under this authorisation during the period of 15 (fifteen) months from the date that this authorisation will be deducted from the aforementioned 6 700 841 listed securities. In the event of a sub-division or a consolidation during the period contemplated above the authority will be adjusted to represent the same allocation ratio;
- in determining the price at which securities may be issued in terms of this authority, the maximum discount permitted will be 10% (ten percent) of the weighted average traded price of such securities measured over the 30 (thirty) business days prior to the date that the price of the issue is agreed in writing between the issuer and the party/ies subscribing for the securities;
- an announcement giving full details, including the number of securities issued, the average discount to the weighted average traded price of the securities over 30 (thirty) business days prior to the date that the issue is agreed in writing between the issuer and the parties subscribing for the securities and an explanation including supporting information (if any), of the intended use of the funds will be published when the Company has issued securities representing, on a cumulative basis within the earlier of the Company's next Annual General Meeting or the expiry of a period of 15 (fifteen) months from the date that this authority is given, 5% (five percent) or more of the number of securities in issue prior to the issue; and
- whenever Putprop wishes to use repurchased shares, held as treasury stock by any of its subsidiaries, such use must comply with the JSE Listings Requirements as if such use was a fresh issue of ordinary shares.

Note: Under the JSE Listings Requirements, ordinary resolution number 6 must be passed by a 75% (seventy-five percent) majority of the votes cast in favour of the resolution by all members present or represented by proxy at the Annual General Meeting.

Notice of annual general meeting

for the year ended 30 June 2018 (Continued)

9. Ordinary resolution number 9: Signature of documents

"Resolved that each director of the Company be and is hereby individually authorised to sign all such documents and do all such things as may be necessary for or incidental to the implementation of those resolutions set out in the notice convening the Annual General Meeting at which this resolution is to be considered and approved."

Special resolutions

To consider and, if deemed fit, to pass, with or without modification, all the special resolutions relating to business set out below. More than 75% (seventy-five percent) of the voting rights exercised on each individual resolution must be exercised in favour of those resolutions.

10. Special resolution number 1: Non-executive Directors' remuneration

Resolved that, unless otherwise determined by shareholders in general meeting and to the extent applicable in Section 66(9) of the Companies Act, the annual remuneration payable to the non-executive directors of Putprop for the financial year ending 30 June 2019 be and is hereby approved as follows:

Type of fee (per meeting)	Approved fee per meeting for the year ended 30 June 2018 R	Proposed fee per meeting for the year ended 30 June 2019 R
Board		
Chairperson	15 500	16 000
Member	11 000	12 000
Audit and Risk Committee		
Chairperson	11 000	12 000
Member	5 500	6 000
Remuneration and Nomination Committee		
Chairperson	5 500	5 000
Member	3 300	3 000
Social and Ethics Committee		
Chairperson	Nil	Nil
Member	Nil	Nil
Investment Committee		
Chairperson	Nil	Nil
Member	Nil	Nil

Rationale: In terms of section 66(9) of the Companies Act, a company is required to pre-approve the payment of remuneration to non-executive directors for their services as directors for the ensuing financial year by means of a special resolution passed by shareholders of the Company within the previous two years.

11. Special resolution number 2: General approval to acquire shares

"Resolved that, subject to the Companies Act, Putprop's MOI and the JSE Listings Requirements, the Company, and/or any of its subsidiaries from time to time, be and are hereby authorised to acquire ordinary shares in Putprop."

The JSE Listings Requirements currently provide, *inter alia*, that:

- the acquisition of the ordinary shares must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between Putprop and the counter party;
- this general authority shall only be valid until the earlier of Putprop's next Annual General Meeting or the expiry of a period of 15 (fifteen) months from the date of passing of this special resolution;
- in determining the price at which Putprop's ordinary shares are acquired in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% (ten percent) of the weighted average of the market value at which such ordinary shares are traded on the JSE, as determined over the 5 (five) business days immediately preceding the date on which the transaction is effected;
- at any point in time, Putprop may only appoint one agent to effect any acquisition/s on its behalf;
- the acquisitions of ordinary shares in the aggregate in any one financial year may not exceed 20% (twenty percent) of Putprop's issued ordinary share capital;
- Putprop may only effect the repurchase once a resolution has been passed by the Board confirming that the Board has authorised the repurchase, that Putprop has passed the solvency and liquidity test ("test") and that since the test was done there have been no material changes to the financial position of the Group;



Notice of annual general meeting

for the year ended 30 June 2018 (Continued)

- Putprop or its subsidiaries may not acquire ordinary shares during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements; and
- an announcement will be published once Putprop has cumulatively repurchased 3% (three percent) of the number of the ordinary shares in issue at the time this general authority is granted ("initial number"), and for each 3% (three percent) in aggregate of the initial number acquired thereafter.

Rationale: The purpose and effect of this special resolution number 2 is to grant the directors of Putprop and/or its subsidiaries a general authority in terms of its MOI and the JSE Listings Requirements for the acquisition by Putprop and/or its subsidiary companies of shares issued by it on the basis reflected in the special resolution.

It is the intention of Putprop's directors to use such authority should prevailing circumstances (including tax dispensations and market conditions), in their opinion, warrant it.

Other disclosure in terms of Section 11.26 of the JSE Listings Requirements

The JSE Listings Requirements require the following disclosure, which are contained in the Integrated Annual Report of which this notice is attached:

- major shareholders of the Company – page 122; and
- share capital of the Company – page 107.

Material change

There have been no material changes in the affairs or financial position of Putprop and its subsidiaries since Putprop's financial year end and the date of this notice.

Directors' responsibility statement

The directors, whose names are given on pages 32 to 34 of the Integrated Annual Report to which this notice is attached, collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution number 2 and certify that, to the best of their been omitted which would make any statement in relation to this special resolution number 2 false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that special resolution number 2 together with this Notice contains all information required by law and the JSE Listings Requirements in relation to it.

Adequacy of working capital

At the time that the contemplated repurchase is to take place, Putprop's directors will ensure that, after considering the effect of the maximum repurchase and for a period of 12 (twelve) months thereafter:

- Putprop and its subsidiaries will be able to pay their debts as they become due in the ordinary course of business;
- the consolidated assets of Putprop and its subsidiaries, fairly valued in accordance with International Financial Reporting Standards, will be in excess of the consolidated liabilities of the Company and its subsidiaries;
- the issued share capital and reserves of Putprop and its subsidiaries will be adequate for the purpose of Putprop's ordinary business and that of its subsidiaries; and
- the working capital available to Putprop and its subsidiaries will be sufficient for the Group's requirements.

12. Special resolution number 3: Financial assistance for subscription of securities

"Resolved that shareholders of Putprop hereby approve, in terms of section 44 of the Companies Act, of the provision, at any time and from time to time during the period of 2 (two) years commencing on the date of this special resolution number 3, of financial assistance by way of a loan, guarantee, security or otherwise by Putprop to any person for the purpose of, or in connection with, the subscription for any option, or any securities, issued or to be issued by Putprop or a related or inter-related company, or for the purchase of any securities of Putprop or a related or inter-related company, provided that –

- the Board, from time to time, determines (i) the specific recipient, or general category of potential recipients of such financial assistance; (ii) the form, nature and extent of such financial assistance; and (iii) the terms and conditions under which such financial assistance is provided; and

Notice of annual general meeting

for the year ended 30 June 2018 (Continued)

- the Board may not authorise the Company to provide any financial assistance pursuant to this special resolution number 3 unless the Board meets all those requirements set out in section 44 of the Companies Act which it is required to meet in order to authorise the Company to provide such financial assistance.

Rationale: The purpose and effect of this special resolution number 3 is to grant the Board the authority to authorise Putprop to provide financial assistance to any person for the purpose of, or in connection with, the subscription for any option or securities issued or to be issued by the Company or a related or inter-related company.

13. Special resolution number 4: Loans or other financial assistance to directors

"Resolved that the shareholders of the Company hereby approve, in terms of Section 45 of the Companies Act, of the provision, at any time and from time to time during the period of 2 (two) years commencing on the date of this special resolution number 4, of any direct or indirect financial assistance by way of a loan, guarantee or other obligation, and securing any debt or obligation to a director or prescribed officer of Putprop, or to a related or inter-related company or corporation, or to a member of any such related or inter-related corporation or to a person related to any such company, corporation, director, prescribed officer or member provided that –

- the Board, from time to time, determines (i) the specific recipient or general category of potential recipients of such financial assistance; (ii) the form, nature and extent of such financial assistance; and (iii) the terms and conditions under which such financial assistance is provided, and
- the Board may not authorise the Company to provide any financial assistance pursuant to this special resolution number 4 unless the Board meets all those requirements of section 45 of the Companies Act which it is required to meet in order to authorise the Company to provide such financial assistance.

Rationale: The purpose of this special resolution number 4 is to grant the Board the authority to authorise Putprop to provide financial assistance, as contemplated in section 45 of the Companies Act, to a director or prescribed officer of Putprop, or to a related or inter-related company or corporation, or to a member of a related or inter-related corporation, or to a person related to any such company, corporation, director, prescribed officer or member.

Other business

To transact such other business as may be transacted at an Annual General Meeting or raised by shareholders with or without advance notice to Putprop.

By order of the Board



Acorim Proprietary Limited
Company Secretary

27 September 2018
Hyde Park



Form of proxy



Putprop Limited

Incorporated in the Republic of South Africa
(Registration number 1998/001085/06)
Share code: PPR ISIN: ZAE000072310
("Putprop" or "the Company" or "the Group")

For use only by ordinary shareholders who:

- hold ordinary shares in certificated form ("certificated ordinary shareholders"); or
- have dematerialised their ordinary shares ("dematerialised ordinary shareholders") and are registered with "own-name" registration,

at the Annual General Meeting of shareholders of the Company to be held at 91 Protea Road, Chislehurst, Sandton at 11:30 on Thursday, 8 November 2018 and any adjournment thereof.

Dematerialised ordinary shareholders holding ordinary shares other than with "own-name" registration who wish to attend the Annual General Meeting must inform their Central Securities Depository Participant ("CSDP") or broker of their intention to attend the Annual General Meeting and request their CSDP or broker to issue them with the relevant Letter of Representation to attend the Annual General Meeting in person or by proxy and vote. If they do not wish to attend the Annual General Meeting in person or by proxy, they must provide their CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker. These ordinary shareholders must not use this form of proxy.

Name of beneficial shareholder

Name of registered shareholder

Address

Telephone work ()

Telephone home ()

Cell:

being the holder/custodian of ordinary shares in the Company, hereby appoint (see note):

1. or failing him/her

2. or failing him/her

3. the Chairperson of the meeting

as my/our proxy to attend and act for me/us on my/our behalf at the Annual General Meeting of the company convened for purpose of considering and, if deemed fit, passing, with or without modification, the special and ordinary resolutions to be proposed thereat ("resolutions") and at each postponement or adjournment thereof and to vote for and/or against such resolutions, and/or abstain from voting, in respect of the ordinary shares in the issued share capital of the Company registered in my/our name/s in accordance with the following instructions:

	Number of Ordinary Shares		
	For	Against	Abstain
Ordinary resolution number 1 Re-election of Director 1. To re-elect Daniele Torricelli who, in terms of Article 25.7 of the Company's Memorandum of Incorporation, retires by rotation.			
Ordinary resolution number 2 Confirmation of appointment of Director 2. To confirm the appointment of Gerrit Van Heerden with effect from 1 July 2018			
Ordinary resolution number 3 Confirmation of appointment of Director 3. To confirm the appointment of Rene Styber with effect from 1 July 2018			

Form of proxy (Continued)

	Number of Ordinary Shares		
	For	Against	Abstain
Ordinary resolution number 2			
4. Election of independent non-executive directors to the Audit and Risk Committee			
4.1. To appoint Hayden Hartley as a member and chairperson of the Putprop Audit and Risk Committee			
4.2. To appoint Daniele Torricelli as a member of the Putprop Audit and Risk Committee, subject to the passing of ordinary resolution number 1			
4.3. To appoint Gerrit Van Heerden as a member of the Putprop Audit and Risk Committee, subject to the passing of ordinary resolution number 2.			
4.4. To appoint Rene Styber as a member of the Putprop Audit and Risk Committee, subject to the passing of ordinary resolution number 3.			
Ordinary resolution number 5			
5. Re-appointment of external auditor			
Ordinary resolution number 6			
6. Advisory endorsement of remuneration policy and implementation report			
6.1. Endorsement of remuneration policy			
6.2. Endorsement of implementation report			
Ordinary resolution number 7			
7. Control of authorised but unissued ordinary shares.			
Ordinary resolution number 8			
8. Approval to issue ordinary shares, and to sell treasury shares, for cash.			
Ordinary resolution number 9			
9. Signature of documents.			
Special resolution number 1			
10. Approval of the non-executive director remuneration.			
Special resolution number 2			
11. General approval to acquire shares.			
Special resolution number 3			
12. Financial assistance for subscription of securities.			
Special resolution number 4			
13. Loans or other financial assistance to directors.			

Please indicate instructions to proxy in the space provided above by the insertion therein of the relevant number of votes exercisable.

A member entitled to attend and vote at the Annual General Meeting may appoint one or more proxies to attend and act in his stead. A proxy so appointed need not be a member of the Company.

Signed at _____ on _____ 2018

Signature _____

Assisted by (if applicable) _____



Notes to the proxy

1. Summary of Rights Contained in section 58 of the Companies Act, 2008 (Act 71 of 2008), as amended ("Companies Act")
In terms of section 58 of the Companies Act:
 - a shareholder may, at any time and in accordance with the provisions of section 58 of the Companies Act, appoint any individual (including an individual who is not a shareholder) as a proxy to participate in, and speak and vote at, a shareholders' meeting on behalf of such shareholder;
 - a proxy may delegate his or her authority to act on behalf of a shareholder to another person, subject to any restriction set out in the instrument appointing such proxy;
 - irrespective of the form of instrument used to appoint a proxy, the appointment of a proxy is suspended at any time and to the extent that the relevant shareholder chooses to act directly and in person in the exercise of any of such shareholder's rights as a shareholder;
 - irrespective of the form of instrument used to appoint a proxy, any appointment by a shareholder of a proxy is revocable, unless the form of instrument used to appoint such proxy states otherwise;
 - if an appointment of a proxy is revocable, a shareholder may revoke the proxy appointment by: (i) cancelling it in writing, or making a later inconsistent appointment of a proxy and (ii) delivering a copy of the revocation instrument to the proxy and to the company; and
 - a proxy appointed by a shareholder is entitled to exercise, or abstain from exercising, any voting right of such shareholder without direction, except to the extent that the relevant company's memorandum of incorporation, or the instrument appointing the proxy, provides otherwise (see note 7).
2. The form of proxy must only be completed by shareholders who hold shares in certificated form or who are recorded on the sub-register in electronic form in "own name".
3. Shareholders who have dematerialised their shares through a CSDP or broker without "own name" registration and wish to attend the Annual General Meeting must instruct their CSDP or broker to provide them with the relevant Letter of Representation to attend the Annual General Meeting in person or by proxy. If they do not wish to attend in person or by proxy, they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker. Should the CSDP or broker not have provided the Company with the details of the beneficial shareholding at the specific request by the Company, such shares may be disallowed to vote at the Annual General Meeting.
4. A shareholder entitled to attend and vote at the Annual General Meeting may insert the name of a proxy or the names of two alternate proxies (none of whom need be a shareholder of the company) of the shareholder's choice in the space provided, with or without deleting "the Chairperson of the meeting". The person whose name stands first on this form of proxy and who is present at the Annual General Meeting will be entitled to act as proxy to the exclusion of those proxy(ies) whose names follow. Should this space be left blank, the proxy will be exercised by the Chairperson of the meeting.
5. A shareholder is entitled to one vote on a show of hands and, on a poll, one vote in respect of each ordinary share held. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate space provided. If an "X" has been inserted in one of the blocks to a particular resolution, it will indicate the voting of all the shares held by the shareholder concerned. Failure to comply with this will be deemed to authorise the proxy to vote or to abstain from voting at the Annual General Meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholders or by the proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or the proxy.
6. A vote given in terms of an instrument of proxy shall be valid in relation to the Annual General Meeting notwithstanding the death, insanity or other legal disability of the person granting it, or the revocation of the proxy, or the transfer of the ordinary shares in respect of which the proxy is given, unless notice as to any of the aforementioned matters shall have been received by the transfer secretaries not less than 48 (forty eight) hours before the commencement of the Annual General Meeting, or 48 (forty eight) hours before any adjournment thereof.

Notes to the proxy (Continued)

7. If a shareholder does not indicate on this form that his/her proxy is to vote in favour of or against any resolution or to abstain from voting, or gives contradictory instructions, or should any further resolution(s) or any amendment(s) which may properly be put before the Annual General Meeting be proposed, such proxy shall be entitled to vote as he/she thinks fit.
8. The Chairperson of the Annual General Meeting may reject or accept any form of proxy which is completed and/or received other than in compliance with these notes.
9. A shareholder's authorisation to the proxy including the Chairperson of the Annual General Meeting, to vote on such shareholder's behalf, shall be deemed to include the authority to vote on procedural matters at the Annual General Meeting.
10. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.
11. Documentary evidence establishing the authority of a person signing the form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the Company's transfer secretaries or waived by the Chairperson of the Annual General Meeting.
12. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by the transfer secretaries of the Company.
13. Where there are joint holders of ordinary shares:
 - any one holder may sign the form of proxy;
 - the vote(s) of the senior ordinary shareholders (for that purpose seniority will be determined by the order in which the names of ordinary shareholders appear in the Company's register of ordinary shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).
14. Forms of proxy should be lodged with or mailed to Computershare Investor Services (Proprietary) Limited:

Hand deliveries to: Computershare Investor Services (Proprietary) Limited Rosebank Towers 15 Biermann Avenue Rosebank Johannesburg, 2196	Postal deliveries to: Computershare Investor Services (Proprietary) Limited P.O. Box 61051 Marshalltown 2107
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to be received by no later than 11:00 on Tuesday, 6 November 2018, (or 48 (forty-eight) hours before any adjournment of the Annual General Meeting which date, if necessary, will be notified on SENS).
15. A deletion of any printed matter and the completion of any blank space need not be signed or initialled. Any alteration or correction must be signed and not merely initialled.
16. The completion of a form of proxy does not preclude any shareholder from attending the Annual General Meeting.



Shareholders' Diary

Financial year end	30 June 2018
Release of audited results on SENS	12 September 2018
Despatch of annual report on or about	5 October 2018
Annual general meeting	8 November 2018
Release of unaudited interim results 31 December 2018 on or about	22 March 2019
Dividend 58 payment	1 October 2018
Dividend 2018	Declared Paid
Interim – Dividend no 57	12 March 2018 9 April 2018
Final – Dividend no 58	6 September 2018 1 October 2018



Corporate Information

DIRECTORS

Daniele Torricelli (c,d,e,g,h,i)

Hayden Hartley (b,c,d,e,g,j,k)

Bruno Carleo (a,g,j)

James Smith (a,g,j)

Paul Nucci (c,d,e,f,i,j)

Anna Carleo-Novello (a)

René Styber (c)

Gerrit van Heerden (c)

Chairman

Chief Executive Officer

Chief Financial Officer

a. Executive

b. Chairman Audit and Risk Committee

c. Independent non-executive

d. Member of Audit and Risk Committee

e. Member of the Remuneration, Nomination and Human Resources Committee

f. Chairman Social and Ethics Committee

g. Member Social and Ethics Committee

h. Chairman, Nomination Committee

i. Chairman of Remuneration and Human Resources Committee

j. Member Investment Committee

k. Chairman, Investment Committee

COMPANY SECRETARY

Acorim Proprietary Limited

2nd Floor, North Block

Hyde Park Office Tower

Corner 6th Road and Jan Smuts Avenue

Hyde Park 2196

TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited

15 Biermann Avenue

Rosebank

Johannesburg

2196

AUDITORS

Mazars

54 Glenhove Road

Melrose Estate 2196

Johannesburg

LEGAL ADVISORS

Werksmans

155 5th Street

Sandown

P O Box 10015

Sandton 2196

PRINCIPAL BANKERS

Absa Bank Limited

160 Main Street

Johannesburg 2000

INVESTOR RELATIONS AND

REGISTERED OFFICE

James Smith

91 Protea Road

Chislehurst

Sandton 2196

+27 11 883 8650

james@putprop.co.za

SPONSORS

Merchantec Capital

2nd Floor, North Block

Hyde Park Office Tower

Corner 6th Road and Jan Smuts Avenue

Hyde Park 2196

LISTING INFORMATION

Putprop Limited was listed on the JSE Limited on 4 July 1988

JSE code: PPR

Sector: Financial – Real Estate

The annual financial statements for Putprop Limited have been audited by Mazars in accordance with the requirements of the Companies Act of South Africa, 2008 (Section 29 (e) (1)) and are published on 19 September 2018. These statements have been prepared by James E Smith, BSc, BAcc, CIEA, the financial director of the Group.



