



# AFINE INVESTMENTS

## AFINE INVESTMENTS LIMITED

APPROVED AS A REIT

(Incorporated in the Republic of South Africa)

Registration number 2020/852422/06

JSE share code: ANI ISIN: ZAE000303947

("Afine" or "the Company" or "the Group")

### AUDITED RESULTS FOR THE YEAR ENDED 28 FEBRUARY 2023 AND DECLARATION OF A CASH DIVIDEND

#### CONDENSED STATEMENT OF FINANCIAL POSITION

Figures in Rand	Notes	2023	2022
<b>Assets</b>			
<b>Non-current assets</b>			
Investment properties	3	337 261 743	281 516 820
Straight line rental accrual	3	26 350 939	20 174 262
Machinery & Equipment	5	34 888	-
<b>Total non-current assets</b>		<b>363 647 570</b>	<b>301 691 082</b>
<b>Current assets</b>			
Trade and other receivables	7	116 755	305 021
Cash and cash equivalents	8	10 324 593	7 663 890
<b>Total current assets</b>		<b>10 441 348</b>	<b>7 968 911</b>
<b>Total assets</b>		<b>374 088 918</b>	<b>309 659 993</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	9	40 201 999	5 202 000
Retained income		222 455 557	222 201 727
<b>Total equity</b>		<b>262 657 556</b>	<b>227 403 727</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Loan from shareholders	10	43 524 823	42 340 319
Borrowings	11	50 735 211	26 600 994
<b>Total non-current liabilities</b>		<b>94 260 034</b>	<b>68 941 313</b>
<b>Current liabilities</b>			
Trade and other payables	13	2 207 572	2 399 933
Provisions	14	495 000	315 000
Borrowings	11	14 468 755	10 324 196
Current tax payable		-	275 824
<b>Total current liabilities</b>		<b>17 171 327</b>	<b>13 314 953</b>
<b>Total liabilities</b>		<b>111 431 361</b>	<b>82 256 266</b>
<b>Total equity and liabilities</b>		<b>374 088 918</b>	<b>309 659 993</b>

## CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Figures in Rand	Notes	2023	2022
Revenue from contracts with customers	15	3 272 833	3 642 471
Lease income	15	40 019 303	29 685 956
Dividend income	15	-	-
Other income	16	297 341	268 510
Fair value adjustment	17	712 987	160 885 989
Other expenses		(5 577 589)	(5 222 261)
<b>Profit from operating activities</b>		<b>38 724 875</b>	<b>189 260 665</b>
Gain on bargain purchase in a business combination	4	1 058 485	25 151 661
Non-operating gain on share based consideration remeasured to fair value	4	2 134 146	-
Investment income	19	190 595	282 496
Finance costs	20	(10 011 971)	(5 063 176)
<b>Profit before tax</b>		<b>32 096 130</b>	<b>209 631 646</b>
Income tax	21	(50 739)	29 765 929
<b>Profit for the year</b>		<b>32 045 391</b>	<b>239 397 575</b>
<b>Per share information</b>			
<b>Basic earnings per share*</b>			
Basic earnings per share	23.1	44.18	469.06
<b>Diluted earnings per share*</b>			
Diluted earnings per share	23.2	44.18	469.06
<b>Headline earnings per share*</b>			
Headline earnings per share	23.3	38.79	46.23
<b>Dividends per share*</b>			
Dividends per share		43.83	25.00

\* Dividends and earnings per share are presented in cents per share.

CONDENSED STATEMENT OF CHANGES IN EQUITY AS AT 28 FEBRUARY 2023

Figures in Rand	Notes	Share capital	Retained income / (accumulated loss)	Total
<b>Balance at 1 February 2022</b>		<b>6 002 000</b>	<b>(1 195 848)</b>	<b>4 806 152</b>
<b>Changes in equity</b>				
Profit for the year		-	239 397 575	239 397 575
Total comprehensive income for the year		-	239 397 575	239 397 575
Listing expenses paid from equity		(800 000)	-	(800 000)
Dividend distributions		-	(16 000 000)	(16 000 000)
<b>Balance at 28 February 2022</b>		<b>5 202 000</b>	<b>222 201 727</b>	<b>227 403 727</b>
<b>Balance at 1 March 2022</b>				
<b>Changes in equity</b>				
Profit for the year		-	32 045 391	32 045 391
Total comprehensive income for the year		-	32 045 391	32 045 391
Issue of shares		34 999 999	-	34 999 999
Dividend distributions		-	(31 791 561)	(31 791 561)
<b>Balance at 28 February 2023</b>	9	<b>40 201 999</b>	<b>222 455 557</b>	<b>262 657 556</b>

## CONDENSED STATEMENT OF CASH FLOWS AS AT 28 FEBRUARY 2023

Figures in Rand	Notes	2023	2022
Cash generated from operations	22	36 320 199	34 077 813
Interest received		190 595	282 496
Tax paid		569 910	
<b>Net cash flows generated from operating activities</b>		<b>37 080 704</b>	<b>34 360 309</b>
<b>Cash flows from investing activities</b>			
Acquisition of subsidiaries		(2 000 000)	(24 191 202)
Cash acquired through business combinations		2 144 775	2 501 810
<b>Cash flows (used in) / generate from investing activities</b>		<b>144 775</b>	<b>(21 689 392)</b>
<b>Cash flows from financing activities</b>			
Listing expenses paid from equity		-	(800 000)
Proceeds from borrowings		19 340 535	-
Repayment of borrowings		(13 286 283)	-
Net movement on loans from subsidiaries		-	(22 815 555)
Net movement on loans from shareholders		-	41 000 000
Net change in borrowings		-	(8 418 722)
Issue of shares		-	6 002 000
Finance costs paid		(8 827 467)	(4 203 162)
Dividends paid		(31 791 561)	(16 000 000)
<b>Cash flows used in financing activities</b>		<b>(34 564 776)</b>	<b>(5 235 439)</b>
<b>Net increase in cash and cash equivalents</b>		<b>2 660 703</b>	<b>7 435 478</b>
Cash and cash equivalents at beginning of the year		7 663 890	228 412
<b>Cash and cash equivalents at end of the year</b>	8	<b>10 324 593</b>	<b>7 663 890</b>

### BASIS OF PREPARATION

The Board of Directors of Afine (**"the Board"**) presents the condensed consolidated results for the year ended 28 February 2023. The results have been prepared in accordance with the requirements of the South African Companies Act, No. 71 of 2008, as amended, the Listings Requirements of the JSE Limited (**"JSE"**), as well as the framework concepts and the recognition and measurement principles of International Financial Reporting Standards (**"IFRS"**) as issued by the International Accounting Standards Board, including IAS 34 *Interim Financial Reporting*. The accounting policies used in the preparation of the year-end results are in terms of IFRS and are consistent with those applied in the preparation of the annual financial statements of the Group for the year ended 28 February 2022.

These condensed consolidated financial statements were compiled by IQ EQ South Africa Proprietary Limited under the supervision of Mr JT Loubser. These results have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

These abridged consolidated financial statements have been extracted from the audited consolidated annual financial statements. A copy of the audited consolidated financial statements and the auditors' unmodified audit report is available for inspection at the Company's registered office.

The directors take full responsibility for the preparation of the abridged consolidated financial statements and confirm that the financial information has been correctly extracted from the underlying consolidated annual financial statements. The auditors' report does not necessarily cover all of the information contained in this financial report. Shareholders are therefore advised that, in order to obtain a full understanding of the nature of the auditors' work, they should obtain a copy of that report together with the accompanying financial information from the Company's registered office.

## **DIRECTORS' COMMENTARY**

Afine was listed in the "Other Speciality REITs" sector on AltX (in terms of the FTSE classification) under the abbreviated name: "Afine", JSE share code: "ANI" and ISIN: ZAE000303947, on Thursday, 9 December 2021.

This is the Company's second reporting period since listing. As at the financial year-end, the Group's property portfolio had a gross asset value of approximately R363.6 million.

The Company holds a portfolio of income-generating immovable properties focused primarily in the petroleum sector, strategically located in four of South Africa's nine provinces.

The nature of the revenue of the Company is as follows:

### **Contracted with oil majors:**

- Land rental – received from an oil major for the site;
- Development rental – received from an oil major for the developed property;
- Volumetric rental also referred to as rebates – calculated on fuel sales, being additional income received above a base fixed rental streams (note that the petrol pump price is based on the RAS, which price includes the profit on fuel sales, Volumetric rental can be a fixed portion or a percentage of RAS; and
- Refurbishment Rental – being applied when the project needs to be upgraded, and

### **Contracted with other parties:**

- Other rental – comprising income from alternative profit opportunities, which is immaterial, such as ATM rentals, food offerings, E-Toll Offices and car washes.

All of the above rental is fully contracted, with approximately 99% being contracted with Engen and Sasol.

All the properties acquired by Afine are established petrol filling stations with various licences and rights in place. The responsibility for licencing rests with both the operator of the filling station as well as the property owner.

Afine has an administration agreement with Petroland in terms of which Petroland provides administration services to the Company, also providing the Company with the CEO and CFO, who manage Afine on a part time basis. This has been agreed with the JSE due to the limited time required to manage the business on a day to day basis.

## **COMMENTARY ON RESULTS FOR THE YEAR ENDED 28 FEBRUARY 2023**

The Board is pleased to report its second set of results as a listed company for the financial year ended 28 February 2023 ("FY2023").

Revenue comprised of rental income, recoveries of costs related to operating leases, and commission earned on contracts with customers.

The revenue straight-line adjustment is done in accordance with IFRS and is non-cash flow in nature.

Two additional investment properties were acquired through business combinations of R59 600 000 during the year. Revaluations of three properties were performed during the year. A straight-line rental accrual of R1 608 613 was also recognised during the year.

Operating expenses amounted to R5 577 589 and relate primarily to the costs associated with being a listed company.

Interest income arose from cash held with banks, money market instruments and call accounts.

Finance costs arose from the loan facilities held with major financial institutions as well as a loan account from the major shareholder.

### Trading performance

The Group's property portfolio performed in line with expectations, and costs were well controlled. Unfortunately, the increase in interest rates during the reporting period significantly increased interest payable. Notwithstanding this the Company importantly met or exceeded the profit forecast set out in the pre-listing statement dated 25 November 2021 ("PLS").

Comparisons to the 2022 Financial Year results ("FY2022") are not straightforward as FY2022 contained a number of one-off transactions made in the formation of the Company and restructuring for the purposes of listing.

FY2023 Distributable profit was 24.09% less than reported in FY2022, but 6.49% up on the PLS forecast. Headline earnings per share was in line with the PLS forecast but 16.09% down on FY 2022. Dividends declared and paid of 43.83 cents were 75.32% up on FY2022.

The directors are pleased to therefore report a distribution for the year of R31 791 561, with a subsequent to year end final distribution of R14 942 536, relating to the 28 February 2023 financial year.

A final distribution of 20.6 cents per share has been declared payable to all shareholders registered in the books of Afine on 23 June 2023.

### RECONCILIATION OF BASIC EARNINGS TO HEADLINE EARNINGS

	28 February 2023 Audited R	28 February 2022 Audited R
Basic Earnings	32 045 391	239 397 575
Bargain purchase	(1 058 485)	(25 151 661)
Fair value adjustments	(712 987)	(160 885 989)
Income tax on the above adjustments	0	(29 765 929)
Non-operating gain on share-based consideration remeasured to fair value.	(2 134 146)	
Headline Earnings	28 139 773	23 593 996
<b>Share information:</b>		
Weighted average number of shares	72 536 585	51 037 633
Basic earnings per share (cents)	44.18	469.06
Headline earnings per share (cents)	38.79	46.23

### PROPERTY INFORMATION

#### Information regarding the Group's property portfolio

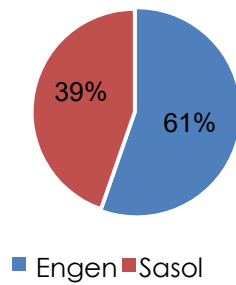
Set out below are the profiles of the properties:

Tenant	Tenant profile (Note 1)	Sector	Forecast Contracted Rental Income	Tenant profile by GLA
Engen	A	Oil major	61%	69%
Sasol	A	Oil major	39%	31%
<b>Total</b>			<b>100%</b>	<b>100%</b>

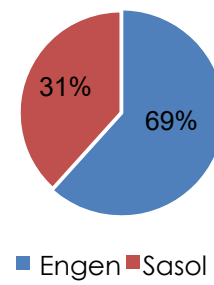
Note 1 - "A": large national tenants, large listed tenants, government and major franchisees;

No uncontracted or near contracted rental has been included in the property forecast. There are no vacancies.

Tenant profile by forecast rental income



Tenant profile by GLA



Details of the geographic area, rentable area, material revenue and lease expiry profile are set out below.

The tenant profile per geographic area is set out below, based on monthly revenue, noting that the oil major rents out the entire site and thus weighted average rental and escalation per square metre is not disclosed as the information is not meaningful and is not used in this sector.

Province	Percentage	Tenants	Expiry profile	Rentable area (m <sup>2</sup> )	Revenue
Gauteng	49%	Engen Platinum One Stop Sasol Parkdene Engen Middelviei	February 2028 October 2027 December 2038	59 787	1 639 215
Mpumalanga	27%	Sasol Piet Retief Sasol Grassnyers Engen Riverside Sasol Axis Park	December 2029 December 2029 November 2023 December 2030	21 643	1 238 929
Western Cape	21%	Sasol Somerset West	December 2029	3 476	454 100
North West	3%	Sasol Protea Park	March 2029	2 737	20 000
<b>Total</b>	<b>100%</b>			<b>87 643</b>	<b>3 352 244</b>

#### Information regarding the Group's property portfolio (continued)

The lease expiry profiles, based on existing leases, by province, are set out in the table above. All the above leases, totalling a monthly revenue of R3 352 244 over a rentable area of 87 643 m<sup>2</sup>, have a lease expiry profile of between November 2023 to December 2038. All the leases are in the petroleum sector.

A table setting out the lease expiry profile per annum is set out below:

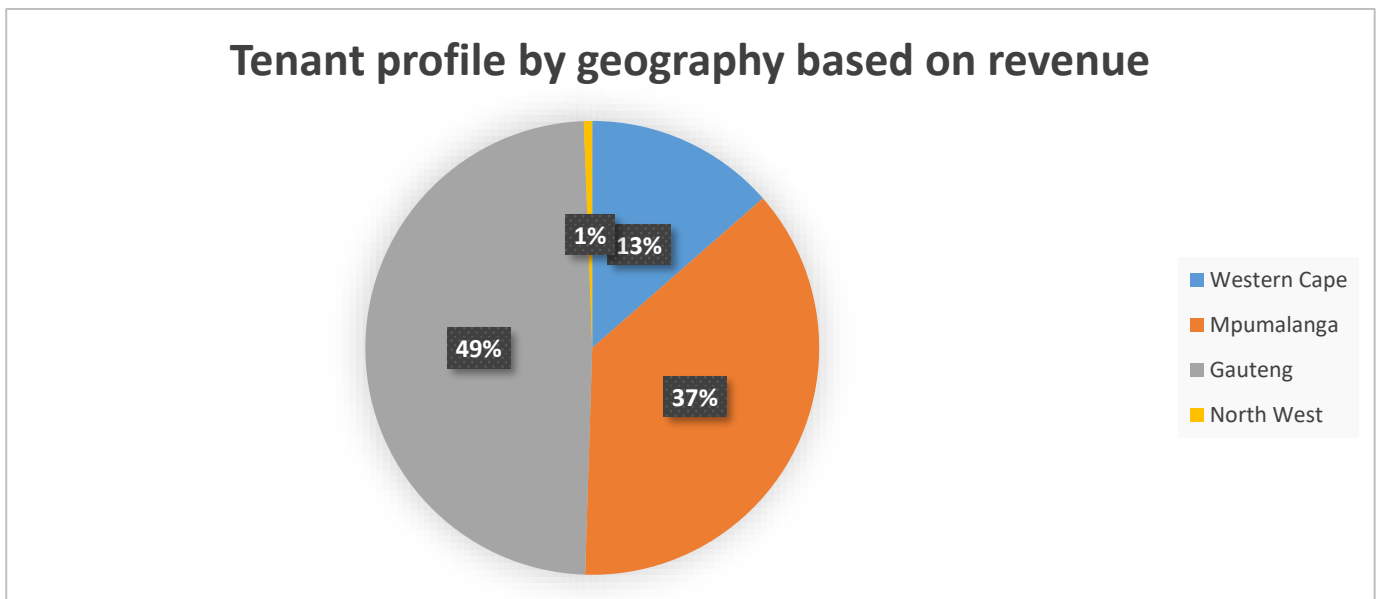
Lease expiry profile	Total GLA (%)	Total Revenue (%)
Vacant	0,00%	0,00%
February 2023	0,00%	0,00%
February 2024	8,31%	16,62%
February 2025	0,00%	0,00%
February 2026	0,00%	0,00%
February 2027	0,00%	0,00%
February 2028	58,59%	40,13%

February 2029	0,00%	0,00%
February 2030	23,47%	34,48%
February 2031	0,00%	0,00%
February 2032	0,00%	0,00%
February 2033	0,00%	0,00%
February 2034	0,00%	0,00%
February 2035	0,00%	0,00%
February 2036	0,00%	0,00%
February 2037	0,00%	0,00%
February 2038	0,00%	0,00%
February 2039	9,63%	8,77%
<b>Total</b>	<b>100,00%</b>	<b>100,00%</b>

The weighted average rental per square meter by rentable area for the filling station sector is R21.21. It should be noted that this metric is not used in the rental of filling stations as they are typically rented based on the volume generated per site, irrespective of the size of the site.

The weighted average rental escalation for the total portfolio, based on existing leases, by rentable area, for the filling station sector is an average of 5%.

The average annualised property yield for the total portfolio is 11.13%.



The Group's portfolio of income generating immovable properties focuses primarily in the petroleum sector. Accordingly, all of the above properties are used as service stations.



## PROPERTY PORTFOLIO

### Commercial – Gauteng and North West

Property company/name	Property address	Location	Site area (m <sup>2</sup> )	Value R
Sasol Parkdene, Johannesburg	Erf 654 Parkdene Extension No.3, IR Division Gauteng	Boksburg	2 274	9 900 000
Sasol Protea Park, Rustenburg	Erf 1439 Protea park Extension No. 1, IQ Division North West	Rustenburg	2 737	19 100 000
Engen, Doornpoort, Pretoria	Portion 150 and Portion 151 Doorpost No.295, JR Division	Pretoria	49 076	117 700 000
Engen Middelvlei	Portion 112 of Farm Middelvlei 255, IQ Division	Randfontein	8 437	31 100 000

### Commercial – Mpumalanga

Property company/name	Property address	Location	Site area (m <sup>2</sup> )	Value R
Engen Riverside, Nelspruit	Erf 34 Riverside Park Extension No.4, JT Division Mpumalanga	Nelspruit	2 732	48 200 000
Sasol Piet Retief	Erf 1 Thandekile, IT Division Mpumalanga	Piet Retief	12 334	45 319 579
Sasol Grassnyers, Witbank	Erf 2490 Witbank Extension, No.13, JS Division Mpumalanga	Witbank	2 023	21 972 496
Sasol Axis Park	Remainder Erf 438 Rocky Drift, JT Division	White River	4 554	28 500 000

### Commercial – Western Cape

Property company/name	Property address	Location	Site area (m <sup>2</sup> )	Value R
Sasol Somerset West	Erven 15848 and 15851 Somerset West	Somerset West	3 476	41 820 606

## RELATED PARTY INFORMATION

### Group companies

Ultimate holding company	KSP Offshore Limited
Holding company	Afine Investments Limited
Subsidiaries	Lizalor Investments (Pty) Ltd Thunder Cats Investments 78 (Pty) Ltd Clifton Dunes Investments 10 (Pty) Ltd Clifton Dunes Investments 79 (Pty) Ltd Investment Facility Company Three Three Six (Pty) Ltd Coral Lagoon Investments 163 (Pty) Ltd Glomor Three (Pty) Ltd

### Other related parties

Entity name	Nature of relationship
Petroland Developments (Pty) Ltd	Common Management
Terra Optimus (Pty) Ltd	Common management and shareholder
PM Todd (Resigned 12 July 2022)	Director with indirect shareholding
Gary du Preez (Appointed 12 July 2022)	Director with indirect shareholding

JT Loubser (Jnr)	Director and Shareholder
JT Loubser (Snr)	Director with Indirect shareholding through family member
MJ Watters	Director and Shareholder

Figures in Rand	Audited 28 February 2023	Audited 28 February 2022
<b>Related party balances</b>		
<b>Loans from related parties</b>		
KSP Offshore Limited	43 524 823	42 340 319
<b>Related party transactions</b>		
<b>Management fees paid</b>		
Petroland Group (Pty) Ltd	1 387 000	950 000
Petroland Developments (Pty) Ltd	-	803 636
<b>Directors fees</b>		
PM Todd	25 000	15 000
MJ Watters	60 000	15 000
D Kohler	60 000	15 000
G du Preez	35 000	-
<b>Finance costs</b>		
KSP Offshore Limited	3 680 264	860 014
<b>Dividend distributions</b>		
KSP Offshore Limited	24 670 251	16 000 000

**Total number of shares held by the directors and related shareholders in which they have declared a personal financial interest as at 28 February 2023**

	Direct		Indirect		Related	
	Shares	%	Shares	%	Shares	%
<b>Non-Executive</b>						
MJ Watters	131 024	0.20	-	-	-	-
PM Todd*	-	-	-	-	-	-
D Kohler	-	-	16 324 678	22.51	-	-
G du Preez	-	-	4 035 090	5.56	-	-
<b>Executive directors</b>						
JT Loubser (Snr)	-	-	4 532 468	6.25	-	-
JT Loubser (Jnr)	8 085	0.01	4 512 195	6.22	-	-
<b>Subtotal for directors</b>	<b>139 109</b>	<b>0.21</b>	<b>29 404 431</b>	<b>40.54</b>	<b>-</b>	<b>-</b>
<b>Other shareholders</b>	<b>72 397 476</b>	<b>99.81</b>				
<b>Total</b>	<b>72 536 585</b>	<b>100.00</b>				

\*46 160 321 shares which were indirectly held by KSP Offshore Limited, of which company PM Todd is the representative, were sold during the year. PM Todd resigned with effect from 12 July 2022.

**ACQUISITIONS AND DISPOSALS**

As announced on SENS on 13 June 2022, Afine had concluded an agreement with Petroland and Terra Optimus Proprietary Limited ("**Terra Optimus**") (collectively "the Vendors") in terms of which Afine acquired 100% of the shares in Glomor Three Proprietary Limited ("**Glomor**") ("**the Acquisition**"). Glomor owns two properties namely Portion 112 Of Farm Middelvlei 255, IG Division, Gauteng Province Main Reef Road (R28), Randfontein (Engen property) and Remainder Erf 438 Rocky Drift, JT Division, Mpumalanga Province situated alongside R40, Axis Industrial Park, White River (Sasol Property).

The purchase consideration was settled with a combination of cash and Afine shares.

There were no disposals during year under review.

## ISSUE OF SHARES

During the year the Group issued 8 536 585 shares with no par value to Glomor Three in respect of the Related Party Acquisition referred to above. As at 28 February 2023 the Company has 72 536 585 shares in issue.

## STANDARDS AND INTERPRETATIONS EFFECTIVE AND ADOPTED IN THE CURRENT YEAR

No new standards and interpretations have been adopted during the period under review.

## SUBSEQUENT EVENTS

The Board approved a final dividend on 25 May 2023 of 20.6 cents per share for the year ended 28 February 2023. There were no other significant events subsequent to 28 February 2023.

## BOARD COMPOSITION

PM Todd resigned as a non-executive director and member of the Audit and Risk Committee and Investment Committee of the Company with effect from 12 July 2022 and was replaced by G du Preez on that date.

Due to the size of the business, the Board had resolved, on 25 August 2022, to dissolve the Remuneration Committee. The re-constitution of this committee will be evaluated as the business grows.

## PROFIT FORECAST

The Pre-listing Statement issued by the Company contained a profit forecast for the year ended 28 February 2023 and the actual performance compared to the profit forecast is summarised below:

<b>Figures in Rand</b>	<b>28 February 2023 Actual</b>	<b>28 February 2023 Forecast</b>
<b>Revenue</b>		
Lease Income	38 410 690	34 556 440
Revenue straight-line adjustment	1 608 613	1 159 344
Rebates	3 272 833	-
Finance income	190 595	-
Other operating gain in a business combination	2 134 146	-
Other operating gains (bargain purchase)	1 058 485	-
Other income	297 341	-
Fair value adjustments	712 987	-
	<b>47 685 690</b>	<b>35 715 784</b>
<b>Operating expenses</b>		
Other expenses	(5 577 589)	(2 444 481)
<b>Operating profit</b>	<b>42 108 101</b>	<b>33 271 303</b>
Finance costs	(10 011 971)	(6 252 098)
<b>Profit for the year</b>	<b>32 096 130</b>	<b>26 918 772</b>

## DISTRIBUTABLE PROFIT FOR THE YEAR ENDED 28 FEBRUARY 2023

A reconciliation of the profit for the year ended 28 February 2023 is set out below:

<b>Figures in Rand</b>	<b>28 February 2023</b>
<b>Profit for the year</b>	<b>32 096 130</b>
Adjusted for:	
Income tax	(50 739)
Revenue straight-line adjustment	(1 608 613)
Fair value adjustments	(712 987)
Gain on bargain purchase	(1 058 485)
<b>Distributable Profit</b>	<b>28 665 306</b>
Percentage distribution (actual)	100.9%
<b>Dividend distribution</b>	<b>28 942 097</b>
<b>Less interim dividend already paid</b>	<b>(13 999 561)</b>
<b>Final distribution declared subsequent to year end</b>	<b>14 942 537</b>

The per share information is set out below:

<b>Figures in Rand</b>	<b>28 February 2023</b>
Earnings per share (cents)	44.18
Headline earnings per share (cents)	38.79
Distribution per share (actual based on 100%) (cents)	43.83
Net asset value per share (cents)	362
Number of shares in issue	72 536 585

## CASH DIVIDEND DECLARATION

The Board is pleased to declare a cash dividend (final dividend distribution) (Dividend Number 4) of 20.6 cents per ordinary share, which amounts to 100.9% of distributable profit at the end of the 2023 financial year. The dividend is declared out of distributable reserves of the Group.

As the Company has REIT status, Shareholders are advised that the dividend meets the requirements of a "qualifying distribution" for the purposes of section 25BB of the Income Tax Act (No. 58 of 1962), as amended, ("**Income Tax Act**"). The dividend on the shares will be deemed to be a dividend, for South African tax purposes, in terms of section 25BB of the Income Tax Act. Afine's tax reference number is 901 493 3296. The number of ordinary shares which will be eligible for the dividend at the declaration date is 72 536 585.

The salient dates for the dividend will be as follows:

	<b>2023</b>
Last date to trade "cum" dividend	Tuesday, 20 June
Shares commence trading "ex" dividend	Wednesday, 21 June
Record date (date on which shareholders are recorded in share register)	Friday, 23 June
Payment date	Monday, 26 June

Shareholders may not dematerialise or rematerialise their share certificates between Wednesday, 21 June 2023 and Friday, 23 June 2023, both dates inclusive.

## TAX IMPLICATIONS

### South African tax residents

The dividend received by or accrued to South African tax residents must be included in the gross income of such Shareholders and will not be exempt from income tax (in terms of the exclusion to the general dividend exception, contained in paragraph (aa) of section 10(1)(k)(i) of the Income Tax Act) because it is a dividend distributed by a REIT.

The dividend is exempt from dividend withholding tax in the hands of South African tax resident Shareholders, provided that the South African resident Shareholders provide the following forms to the CSDP or broker in respect of uncertificated shares, or to the Company, in respect of certificated shares:

- a) a declaration that the dividend is exempt from dividend tax; and
- b) a written undertaking to inform the CSDP, broker or the Company, should the circumstances affecting the exemption change or the beneficial owner cease to be the beneficial owner, both in the form prescribed by the Commissioner for the South African Revenue Service.

Shareholders are advised to contact their CSDP, broker or the Company to arrange for the abovementioned documents to be submitted prior to payment of the dividend, if such documents have not already been submitted.

### **Non-resident Shareholders**

Dividends received by non-resident Shareholders will not be taxable as income and instead will be treated as an ordinary dividend which is exempt from income tax in terms of the general dividend exemption in section 10(1)(k)(i) of the Income Tax Act. Since 1 January 2014, any dividend received by a non-resident from a REIT will be subject to dividend withholding tax at 20%, unless the rate is reduced in terms of any applicable agreement for the avoidance of double taxation ("**DTA**") between South Africa and the country of residence of the shareholder concerned. Assuming dividend withholding tax will be withheld at a rate of 20%, the net dividend amount due to non-resident Shareholders is 16.48 cents per share. A reduced dividend withholding rate in terms of the applicable DTA may only be relied on if the non-resident shareholder has provided the following form to their CSDP or broker in respect of uncertificated shares, or the Company, in respect of certificated shares:

- a) a declaration that the dividend is subject to a reduced rate as a result of the application of DTA; and
- b) a written undertaking to inform their CSDP, broker or the Company, should the circumstances affecting the reduced rate change or the beneficial owner cease to be the beneficial owner, both in the form prescribed by the Commissioner for the South African Revenue Service.

Non-resident Shareholders are advised to contact their CSDP, broker or the Company to arrange for the abovementioned documents to be submitted prior to payment of the dividend, if such documents have not already been submitted.

### **PROSPECTS**

As outlined in the Company's 2022 annual report, the directors were cautious about the 2023 financial year due to, *inter alia*, forecast interest rate rises, inflation and geo-political conditions. These concerns remain valid today with the additional risks of power interruptions and political uncertainty in South Africa, making it ever more difficult to predict the short-term economic environment in which the Company operates.

Notwithstanding this, the directors are confident that Afine's business model of investment in the petrol retail sector is entirely defensive and sustainable. In addition, the trend of investors favouring specialised REIT's over diversified entities bodes well in the event the Company wishes to raise capital for expansion.

In this regard the Company will remain disciplined, but opportunistic in the allocation of capital to select development and acquisition opportunities. A particular focus will be on distressed assets where over geared investors are forced to sell due to interest rate pressures. Going forward, Afine's objective remains to consolidate ownership of petrol service station in a REIT structure, with an acquisition strategy to grow the business through its deep industry knowledge, experience and networks.

Being a listed REIT with a solid and reliable income stream diversified across various provinces in South Africa, the prospects for the Company are considered to be strong and attractive for current and future investors, as well as property owners looking to diversify their returns.

This prospects statement has neither been reviewed nor audited by the Company's auditors.

### **BY ORDER OF THE BOARD**

**Cape Town**

31 May 2023