

SANLAM AFRICA CORE REAL ESTATE INVESTMENTS LIMITED

Incorporated in the Republic of Mauritius | Registration number 109045 C1/GBL | ISIN code MU0396S00004 | SEDOL code B979H90 | SEM code SARE-N-0101 | Short name SACREIL | ("the Company")

ABRIDGED UNAUDITED FINANCIAL STATEMENTS for the three months and six months ended 30 June 2019

DIRECTORS' COMMENTARY

COMPANY OVERVIEW

The Company is incorporated in Mauritius and holds a Global Business Licence, issued by the Financial Services Commission. SACREIL is listed on the Stock Exchange of Mauritius Ltd ("SEM"), with core real estate assets in Ghana, Tanzania and Nigeria.

COMPANY REVIEW FOR THE PERIOD ENDED 30 JUNE 2019

The economies in the region remain under pressure. Some of the reasons are country-specific, whilst others are macroeconomic and influenced by world events. Incremental recovery in the commodity markets and improved growth expectations for Sub-Saharan African economies are encouraging.

The Company's current assets base consists of:

- Accra Mall (Accra, Ghana):** The mall is currently the best performing dividend paying asset in the portfolio, comprising of a quality mix of local and international tenants. The occupancy rates of the mall measuring 21,384 m² remains unchanged at 93% since the last quarter. The trading conditions have remained largely resilient despite exchange rate pressures.
- Atlantic House (Lagos, Nigeria):** The rental market remains highly competitive due to an oversupply of quality lettable office space in Lagos. The occupancy rates of the office block measuring 4,271 m² have improved from 59% to 67% since the last quarter. Although rental level in Lagos has stabilized, these levels are lower than anticipated adversely affecting the valuation.

- Capital Properties (Dar es Salaam, Tanzania):** The occupancy rates of the three towers measuring 20,962 m² decreased slightly over the last quarter from 88% to 87%, which remains high relative to the real estate market in Dar es Salaam, which is still under pressure due to the oversupply of lettable office space following the relocation of the Government of Tanzania from Dar es Salaam to Dodoma. The asset has encountered downward valuation knock due to the lower than budgeted rentals achieved as a result of the policy and investor uncertainty experienced. The focus therefore remains on ensuring efficiency in operations and tenant retention.

The Company's Net Asset Value per share declined from US\$5,2598 at year end to US\$4,8209 as at 30 June 2019 due to reductions in valuations of the underlying properties. The Loan to Value Ratio (total 3rd party debt in the group divided by the group's total gross asset value) as at 30 June 2019 experienced a 6% incline in comparison to the prior quarter and currently stands at 39.75%.

No interim dividend has been declared for the period ended 30 June 2019 due to the unavailability of distributable reserves as per the solvency requirements of the Companies Act.

The Company's Gross Asset Value as at 30 June 2019 was US\$136.5 million. It should be noted that if the Gross Asset Value of the Company is less than US\$750 million on 31 December 2020, then each Class A Shareholder may, subject to the Company's Constitution, elect to have its shareholding repurchased by the Company, provided that the Company can obtain the necessary funds.

COMPANY OUTLOOK

Economists forecast modest economic growth in Sub-Saharan Africa as the commodity prices and some currencies stabilize. Despite these signs, caution is still warranted. The current business and economic environment across the region presents both challenges and opportunities. The opportunities are defined by the constant growth of Africa's key urban economies and the concomitant systemic real estate requirement.

The Company is considering investment opportunities and is embarking on a process to attract new shareholders. To this end, the Company issued a cautionary announcement on 24 July 2019 advising Shareholders that the Company was in negotiations, which if successfully concluded, may have a material effect on the share price.

Any forecast statement above, and the forecasts underlying such statements, are the responsibility of the Board and have not been reviewed or reported on by the Company's external auditors. The forecast is based on assumptions, including assumptions about regional, political and economic environments, as well as that a stable global macro-economic environment will prevail.

The Gross Asset Value of the Company is sensitive to the Independent Valuer and Advisor's valuations of its properties which are, in turn, sensitive to the valuation parameters used, in particular discount and reversionary capitalisation rates.

STATEMENT OF FINANCIAL POSITION

	Unaudited as at 30 June 2019	Audited as at 31 December 2018
	US\$	US\$
Assets		
Cash and cash equivalents	4,009,817	4,881,150
Loan receivable	3,829,412	3,829,412
Interest receivable	-	-
Other receivables and prepayments	406,480	375,003
Financial assets at fair value through profit or loss	82,153,228	89,377,824
Total assets	90,398,937	98,463,389
Liabilities		
Advisory fees payable	(361,204)	(363,035)
Expected credit losses	(148,856)	-
Other payables and accruals	(43,890)	(75,815)
Total liabilities	(553,950)	(438,850)
Net assets attributable to shareholders	89,844,987	98,024,539
Net assets attributable to:		
Class A	80,203,020	87,504,769
Class B	9,641,867	10,519,670
Class C	100	100
Net assets attributable to shareholders	89,844,987	98,024,539

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Unaudited for the six months to 30 June 2019	Unaudited for the three months to 30 June 2019	Unaudited for the six months to 30 June 2018	Unaudited for the three months to 30 June 2018
	US\$	US\$	US\$	US\$
INCOME				
Net gain on financial assets at fair value through profit or loss	-	-	-	-
Interest income	93,824	47,171	73,877	37,142
Dividend income	-	-	1,005,000	425,000
Exchange rate gain	-	38	1,647	2,408
	93,824	47,209	1,080,524	464,550
EXPENSES				
Net loss on financial assets at fair value through profit or loss	(7,224,596)	(7,955,973)	(3,863,104)	(4,068,693)
Provision for impairment	(10,000)	(10,000)	(1,518,713)	(1,707,825)
Loan interest	-	-	-	-
Professional fees	(35,629)	(20,825)	(31,535)	(18,084)
Advisory fees	(718,439)	(361,204)	(741,825)	(372,962)
Audit fees	(10,810)	(5,578)	(10,109)	(5,227)
Bank charges	(2,997)	(2,133)	(6,511)	(4,209)
Accounting fees	(29,250)	(14,625)	(29,250)	(14,625)
Disbursements	(840)	(565)	(1,775)	(1,125)
Licence fees	(10,640)	(5,322)	(10,863)	(5,433)
Directors' fees	(61,624)	(28,049)	(63,831)	(28,000)
Due diligence costs	-	-	(528,321)	(454,243)
Expected credit losses	(148,856)	(148,856)	-	-
Other expenses	(19,349)	(18,958)	(31,706)	(31,706)
Exchange rate loss	(346)	-	-	-
	(8,273,376)	(8,572,088)	(6,837,543)	(6,712,132)
Loss before tax	(8,179,552)	(8,524,879)	(5,757,019)	(6,247,582)
Income tax provision	-	-	-	-
Loss for the period	(8,179,552)	(8,524,879)	(5,757,019)	(6,247,582)
Finance costs	-	-	(1,118,184)	-
Decrease in net assets attributable to shareholders from operations	(8,179,552)	(8,524,879)	(6,875,203)	(6,247,582)

STATEMENT OF CASH FLOWS

	Unaudited for the period ended 30 June 2019	Unaudited for the period ended 30 June 2018
	US\$	US\$
Net cash utilised in operating activities	(871,333)	(2,463,660)
Net cash flows used in financing activities	-	(1,118,395)
Net decrease in cash and cash equivalents	(871,333)	(3,582,055)
Cash and cash equivalents at beginning of period	4,881,150	8,267,747
Cash and cash equivalents at end of period	4,009,817	4,685,692

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

2019	Net assets attributable to:			
	Class A	Class B	Class C	Total
	US\$	US\$	US\$	US\$
At 1 January 2019	87,504,769	10,519,670	100	98,024,539
Decrease in net assets attributable to shareholders from operations	(7,301,749)	(877,803)	-	(8,179,552)
Unaudited as at 30 June 2019	80,203,020	9,641,867	100	89,844,987
Number of shares in issue	16,636,409	2,000,000	100	
Net asset value per share	US\$ 4.8209	US\$ 4.8209	US\$ 1	

2018

	Class A	Class B	Class C	Total
	US\$	US\$	US\$	US\$
At 1 January 2018	91,811,526	11,037,421	100	102,849,047
Decrease in net assets attributable to shareholders from operations	(6,137,378)	(737,825)	-	(6,875,203)
Unaudited as at 30 June 2018	85,674,148	10,299,596	100	95,973,844
Number of shares in issue	16,636,409	2,000,000	100	
Net asset value per share	US\$ 5.1498	US\$ 5.1498	US\$ 1	

NOTES

- The Company is required to publish interim financial results in terms of the Listing Rule 12.19 of the Stock Exchange of Mauritius Ltd ("SEM") and Section 88 (1) of the Securities Act 2005. The abridged unaudited financial statements for the three months and six months ended 30 June 2019 ("abridged unaudited financial statements") have been prepared in accordance with the measurement and recognition requirements of IFRS, the information contained in IAS 34: Interim Financial Reporting, the SEM Listing Rules and the Securities Act 2005, using the same accounting policies as those of the audited financial statements for the year ended 31 December 2018.
- The abridged unaudited financial statements have not been reviewed or reported on by the Company's external auditors. These abridged unaudited financial statements were approved by the Board of Directors on 21 August 2019.
- Copies of the abridged unaudited financial statements and the Statement of direct and indirect interests of each officer of the Company, pursuant to rule 8(2)(m) of the Securities (Disclosure Obligations of Reporting Issuers) Rules 2007, are available free of charge, upon request at the Registered Office of the Company at c/o Intercontinental Trust Limited, Level 3, Alexander House, 35 Cybercity, Ebene 72201, Mauritius.
- This communiqué is issued pursuant to SEM Listing Rules 11.3 and 12.20 and section 88 of the Securities Act 2005. The Board accepts full responsibility for the accuracy of the information contained in this communiqué. Contact person: Mrs. Smitha Algoo-Bissonauth.

By order of the Board

Intercontinental Trust Limited
Company Secretary

21 August 2019

Perigeum Capital Ltd
SEM Authorised Representative and Sponsor

