

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 2018

DIRECTORS' COMMENTARY

COMPANY OVERVIEW

The Company is a Category One Global Business Licence Company registered in Mauritius and listed on the Stock Exchange of Mauritius, with core real estate assets in Ghana, Nigeria and Tanzania.

COMPANY REVIEW FOR THE PERIOD ENDED 30 JUNE 2018

Accra Mall (Accra, Ghana). Trading conditions have remained resilient, in a recovering economy, which is growing at a reported 6.3%. The Ghanaian Cedi depreciated by 5% YTD against the US\$ and the inflation rate for June was 10% (March 2018: 10.4%). Real GDP growth is predicted at 8.5% for 2018. These economic improvements should be positive for our tenants, and consequently the Mall. The performance of the Mall reflects the impact of temporary vacancies and the increased funding costs from the December 2017 refinancing transaction.

Atlantic House (Lagos, Nigeria). The building has seen renewed interest from possible tenants, but continues to experience high vacancy rates in an economy that is showing slight recovery. Notwithstanding, economists continue to forecast GDP growth of approximately 1% for 2018. Market conditions continue to be difficult. Political uncertainties preceding the 2019 election may stall economic improvements.

Capital Properties (Dar es Salaam, Tanzania). Operational performance of the three buildings is slightly below expectations as the real estate market in Dar es Salaam is still under pressure. Tanzania's macroeconomics remain sound and consensus on the growth outlook remains positive, but the Government's policy uncertainty may still impact the momentum that currently prevails.

The Company's Net Asset Value per share as at 30 June 2018 was US\$5.1498. The Company's Gross Asset Value per share as at 30 June 2018 was US\$7.728. The Directors have considered the property and economic markets of the jurisdictions invested in and concluded that the independent valuations as at the end of December 2017 are not reflective of property values at 30 June 2018. All property values have been adjusted to reflect current market conditions based on the latest valuations performed by the Company's Advisor. Movements in the discounts rates, attributable mainly to movement in the underlying sovereign interest rates, have been the most sensitive assumptions in determining the 30 June 2018 property values. The values of Capital Properties and Atlantic House were adjusted by US\$5m and US\$1.5m respectively and the value of the Company's interests in Accra Mall increased by US\$0.9m.

The Loan to Value Ratio (total 3rd party debt in the group divided by the group's total gross asset value) increased marginally from 37.2% at the end of March 2018 to 37.7% in aggregate, due to the property value adjustments.

As a result of the in-country operational performance of all of the properties, increased funding costs and the one-off due diligence investigation costs, the Company did not meet the performance criteria contained in its Dividend Policy, and accordingly the Board has decided not to distribute an interim dividend in respect of the period ending 30 June 2018.

COMPANY OUTLOOK

Whilst liquidity and currency related challenges, in certain jurisdictions, may remain for some time, the regional diversification and quality of the portfolio of underlying assets and tenants provides some level of resilience. The Company is constantly assessing the market for new high quality opportunities and intends to raise further capital in order to fund these future acquisitions.

It appears that economic growth across Sub-Saharan Africa is improving, after slowing since 2014. The stabilisation of commodity prices and currencies are beginning to counter the key headwinds that has slowed growth in recent years. In addition, lower inflation should give central banks the space to loosen monetary policy. Despite these optimistic signs caution is still warranted. The challenging business and economic environment across the region is anticipated to continue in the foreseeable future.

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 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 2018	Audited as at 31 December 2017
Assets	US\$	US\$
Cash and cash equivalents	4,685,692	8,267,747
Loan receivable	22,797,925	22,606,638
Interest receivable	1,384,941	1,442,404
Dividend receivable	425,000	-
Other receivables and prepayments	386,814	376,360
Financial assets at fair value through profit or loss	66,746,378	70,609,481
Total assets	96,426,750	103,302,630
Liabilities		
Advisory fees payable	(372,962)	(375,381)
Other payables and accruals	(79,944)	(78,202)
Total liabilities	(452,906)	(453,583)
Net assets attributable to shareholders	95,973,844	102,849,047
Net assets attributable to:		
Class A	85,674,148	91,811,526
Class B	10,299,596	11,037,421
Class C	100	100
Net assets attributable to shareholders	95,973,844	102,849,047

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Unaudited for the six months to 30 June 2018	Unaudited for the three months to 30 June 2018	Unaudited for the six months to 30 June 2017	Unaudited for the three months to 30 June 2017
INCOME	US\$	US\$	US\$	US\$
Net gain on financial assets at fair value through profit or loss	-	-	2,002,564	1,037,748
Interest income	73,877	37,142	495,795	50,423
Dividend income	1,005,000	425,000	-	-
Other income	-	-	6,282	-
	1,078,877	462,142	2,504,641	1,088,171
EXPENSES				
Net loss on financial assets at fair value through profit or loss	(3,863,104)	(4,068,693)	-	-
Provision for impairment	(1,518,713)	(1,707,825)	(3,830,722)	(3,492,835)
Loan interest	-	-	(160,049)	(81,304)
Professional fees	(31,535)	(18,084)	(79,143)	(39,920)
Advisory fees	(741,825)	(372,962)	(530,850)	129,046
Audit fees	(10,109)	(5,227)	(9,298)	(4,649)
Bank charges	(6,511)	(4,209)	(5,755)	(4,303)
Accounting fees	(29,250)	(14,625)	(29,250)	(14,625)
Disbursements	(1,775)	(1,125)	(715)	(500)
Licence fees	(10,863)	(5,433)	(10,175)	(5,089)
Directors' fees	(63,000)	(28,000)	(75,000)	(34,000)
Due diligence costs	(528,321)	(454,243)	-	-
Other expenses	(30,890)	(29,298)	(39,004)	(39,004)
	(6,835,896)	(6,709,724)	(4,769,961)	(3,587,183)
Loss before tax	(5,757,019)	(6,247,582)	(2,265,320)	(2,499,012)
Income tax provision	-	-	-	-
Loss for the period	(5,757,019)	(6,247,582)	(2,265,320)	(2,499,012)
Finance costs	(1,118,184)	-	(1,118,184)	-
Decrease in net assets attributable to shareholders from operations	(6,875,203)	(6,247,582)	(3,383,504)	(2,499,012)

STATEMENT OF CASH FLOWS

	Unaudited for the period ended 30 June 2018	Unaudited for the period ended 30 June 2017
	US\$	US\$
Net cash utilised in operating activities	(2,463,660)	(2,295,802)
Net cash flows used in financing activities	(1,118,395)	(1,117,975)
Net decrease in cash and cash equivalents	(3,582,055)	(3,413,777)
Cash and cash equivalents at beginning of period	8,267,747	5,118,507
Cash and cash equivalents at end of period	4,685,692	1,704,730

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

2018	Net assets attributable to:			
	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
Additional dividend paid	-	-	-	-
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	
2017				
	US\$	US\$	US\$	US\$
At 1 January 2017	95,867,850	11,525,066	100	107,393,016
Additional dividend paid	-	-	-	-
Decrease in net assets attributable to shareholders from operations	(3,020,397)	(363,107)	-	(3,383,504)
Unaudited as at 30 June 2017	92,847,453	11,161,959	100	104,009,512
Number of shares in issue	16,636,409	2,000,000	100	
Net asset value per share	US\$ 5.5810	US\$ 5.5810	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 2018 ("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 2017 as well as applying IFRS9 and IFRS15 as from 1 January 2018.
- The net asset value per share for Class A has been stated net of the additional dividend reserve attributable to Class B shareholders. No additional dividends were declared or provided for during the period ended 30 June 2018 (30 June 2017: nil).
- 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 13 August 2018.
- 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
Perigeum Capital Ltd
SEM Authorised representative and Sponsor

13 August 2018

