



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 AUDITED FINANCIAL STATEMENTS for the year ended 31 December 2017

DIRECTORS' COMMENTARY

COMPANY OVERVIEW

The Company is incorporated in Mauritius and holds a Category One Global Business Licence. 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 31 DECEMBER 2017

December 2017 represents the completion by SACREIL of its fifth financial year since listing. Economies in the region continue to remain under pressure. Some of the contributing factors are country specific, whilst others are more macroeconomic and influenced by world events. The slump in commodity markets, softer growth expectations and concerning sovereign debt burdens have also contributed to weaker local trading conditions.

Accra Mall (Accra, Ghana): The asset once again performed in accordance with expectations in a difficult market. Despite a new government policy on VAT for wholesalers and retailers that has led to an increase in prices, festive season trading was particularly good. Higher oil output will remain a key growth driver for the economy, but some base effects will negate the impact thereof on GDP estimated to have lifted growth to 8.3% in 2017. Signs of a recovery in demand, in line with lower inflation and interest rates, bode well for the growth outlook and the stronger demand-side growth should support an expansion forecast at 7.2% in 2018.

These economic improvements are positive for our tenants and consequently the Mall.

Atlantic House (Lagos, Nigeria): The economy exited the recession and expanded by

0.8% in 2017. Apart from agriculture, non-oil activity still seems rather subdued and the weak performances in key growth-driving industries such as finance, telecommunications and real estate are concerning. It is anticipated that for 2018 oil will remain a key driver of growth, with an anticipated slow rebound in demand in line with lower inflation and interest rates. Atlantic House has high vacancy rates 40% - December 2017 (34% - December 2016) in a market with increasing competition, due to a significant increase in lettable office space in Lagos. These factors are putting downward pressure on market rentals. This has resulted in the value of Atlantic House reducing by USD6million from the previous year.

Capital Properties (Dar es Salaam, Tanzania): The operational performance of the three buildings were in line with expectations. The refurbishment of one of its office towers was successfully completed. The currency has been stable against the US\$ with no significant depreciation being experienced in 2017. Tanzania's economic outlook remains positive, with real GDP growth projected to average just under 7% p.a. over the medium term. One notable downside risk relates to government policy uncertainty.

The Company's Net Asset Value per share as at 31 December 2017 was US\$5.5187. The Loan to Value Ratio (total 3rd party debt in the group divided by the group's total gross asset value) is 37.2%, in aggregate. The Board of Directors is pleased to confirm that it successfully concluded discussions with the Advisor, which resulted in the reduction of the advisory fee from 1.75% to 1.00% of Gross Asset Value. A final dividend for FY 2017 of US\$ 0.0600 per share has been approved by the Board. This brings the aggregate dividend per share for the 2017 financial year to US\$ 0.1450, which is 18% higher than the 2016 dividend.

COMPANY OUTLOOK

Notwithstanding another difficult year, the strategy of growing its portfolio of assets remains integral to the future performance of the Company. The Company is still in negotiations, which if successfully concluded, may have a material effect on the value of the Company's securities. An increase in the Company's issued share capital may improve the liquidity of its shares over time, which currently remains thin.

Although there are signs of economic stability and returning growth, the challenging business and economic environment across the region is still anticipated to continue in 2018 and trading conditions for the Company's property portfolio are likely to remain under pressure.

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 Valuers' 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

	Audited as at 31 December 2017	Audited as at 31 December 2016
Assets	US\$	US\$
Cash and cash equivalents	8,267,747	5,118,507
Loan receivable	22,606,638	37,347,742
Interest receivable	1,442,404	1,367,793
Other receivables and repayments	376,360	384,025
Financial assets at fair value through profit or loss	70,609,481	68,420,935
Total assets	103,302,630	112,639,002
Liabilities		
Borrowings	-	(4,500,000)
Advisory fees payable	(375,381)	(668,300)
Interest payable	-	(856)
Other payables and accruals	(78,202)	(76,830)
Total liabilities	(453,583)	(5,245,986)
Net assets attributable to shareholders	102,849,047	107,393,016
Net assets attributable to:		
Class A	91,811,526	95,867,850
Class B	11,037,421	11,525,066
Class C	100	100
Net assets attributable to shareholders	102,849,047	107,393,016

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Audited for the year ended 31 December 2017	Audited for the year ended 31 December 2016
INCOME	US\$	US\$
Net gain on financial assets at fair value through profit or loss	2,188,546	8,167,290
Interest income	1,023,055	1,787,081
Dividend Income	2,300,000	-
Other income	6,282	-
	5,517,883	9,954,371
EXPENSES		
Provision for impairment	(5,216,299)	(2,829,365)
Loan interest	(371,958)	(211,612)
Professional fees	(148,250)	(294,094)
Advisory fees	(1,281,611)	(2,642,011)
Audit fees	(19,629)	(22,620)
Bank charges	(11,048)	(10,546)
Accounting fees	(56,280)	(57,310)
Disbursements	(1,825)	(2,765)
Licence fees	(20,797)	(20,038)
Directors' fees	(135,207)	(107,350)
Receivable written off	(37,945)	-
Other expenses	(58,723)	(20,089)
	(7,359,572)	(6,217,800)
(Loss) / Profit before tax	(1,841,689)	3,736,571
Income tax provision	-	-
(Loss) / Profit for the year	(1,841,689)	3,736,571
Finance costs - Distribution to shareholders	(2,702,279)	(4,359,055)
Decrease in net assets attributable to shareholders from operations	(4,543,968)	(622,484)

STATEMENT OF CASH FLOWS

	Audited for the year ended 31 December 2017	Audited for the year ended 31 December 2016
	US\$	US\$
Net cash generated from / (used in) operating activities	7,649,240	(1,293,268)
Net cash flows (used in) / generated from financing activities	(4,500,000)	4,500,000
Net increase in cash and cash equivalents	3,149,240	3,206,732
Cash and cash equivalents at beginning of period	5,118,507	1,911,775
Cash and cash equivalents at end of year	8,267,747	5,118,507

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

2017	Net assets attributable to:			
	Class A	Class B	Class C	Total
	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	(4,056,324)	(487,645)	-	(4,543,968)
Audited as at 31 December 2017	91,811,526	11,037,421	100	102,849,047
Number of shares in issue	16,636,409	2,000,000	100	
Net asset value per share	US\$5.5187	US\$5.5187	US\$ 1	

2016

2016	Net assets attributable to:			
	Class A	Class B	Class C	Total
	US\$	US\$	US\$	US\$
At 1 January 2016	96,423,531	11,591,869	100	108,015,500
Additional dividend paid	-	-	-	-
Decrease in net assets attributable to shareholders from operations	(555,681)	(66,803)	-	(622,484)
Audited as at 31 December 2016	95,867,850	11,525,066	100	107,393,016
Number of shares in issue	16,636,409	2,000,000	100	
Net asset value per share	US\$ 5.7625	US\$ 5.7625	US\$ 1	

NOTES

- The abridged audited financial statements for the year ended 31 December 2017 ("abridged audited financial statements") have been prepared using the same accounting policies and method of computation followed per the audited financial statements for the year ended 31 December 2016 which are in compliance with the International Financial Reporting Standards. The auditors' report to the financial statements is unqualified.
- 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 year ended 31 December 2017 (31 December 2016: nil).
- The abridged audited financial statements have been reviewed by the Company's external auditors, Ernst & Young Mauritius. These abridged audited financial statements were approved by the Board of Directors on 23 March 2018.
- Copies of the abridged audited 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 12.14 and section 88 of the Securities Act of Mauritius 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

26 March 2018

Perigeum Capital Ltd
SEM Authorised Representative and Sponsor

