

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 2018

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 YEAR ENDED 31 DECEMBER 2018

December 2018 represents the completion by SACREIL of its sixth financial year since its listing on the Official Market of the SEM. 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.

Accra Mall (Accra, Ghana): Operating profit was down 4% on the prior year due to the occupancy rate falling from 94% to 93% in 2018. The Ghanaian Cedi depreciated by 4% YTD against the US\$ and the inflation rate for December 2018 was 9.4% (Sept 2018: 9.8%). Real GDP growth was predicted at 8.5% for 2018, but has since been reduced to 6.2% in 2019. The Cedi is continuing to depreciate against the US\$. The economic factors will continue to create pressure on our tenants, and consequently the Mall's performance.

Atlantic House (Lagos, Nigeria): Political uncertainties preceding the 2019 election had an impact on the pace of economic improvements. The rental market remains

highly competitive due to an oversupply of lettable office space in Lagos. Occupancy rates fell during the year from 60% to a low of 35% and improved in the final quarter of 2018 to 56% as market sentiment improved. Consequently the annual operating profit trailed budget was down 38% from prior year. The Nigerian economy is improving slowly due to the rise in fuel prices. Economists forecasted GDP growth of approximately 1.5% for 2018 and 2.7% for 2019. This bodes well for the building as also evidenced by the increased lease inquiries received since beginning of 2019.

Capital Properties (Dar es Salaam, Tanzania): Tanzania's trade deficit has continued to widen due to high capital goods imports, while economic growth has been robust well into the quarter ended December 2018. Tanzania's macroeconomic situation remains sound and consensus on the growth outlook remains positive, but the Government's policy uncertainty remains a concern. Operating profit was up 3% on the prior year as occupancy rates remained flat at 86%, although the real estate market in Dar es Salaam is still under pressure, due to oversupply of lettable office space.

The Company's Net Asset Value per share as at 31 December 2018 was US\$5.2598 (2017: US\$5.5187). The Loan to Value Ratio (total 3rd party debt in the group divided by the group's total gross asset value) as at 31 December 2018 remained unchanged from previous year at 37%.

No dividend has been declared in respect of 2018 (2017: US\$0.1450 per share) due to the recognition of unrealised losses in the fair value of the properties and the solvency requirements of the Companies Act, 2001.

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 challenging business and economic environment across the region is anticipated to continue in the foreseeable future. Notwithstanding these challenges, the strategy of considering investment opportunities and attracting new shareholders remain integral to the future performance of the Company.

The Company's Gross Asset Value as at 31 December 2018 was US\$144.9 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.

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'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

	Audited as at 31 December 2018	Audited as at 31 December 2017
Assets	US\$	US\$
Cash and cash equivalents	4,881,150	8,267,747
Loan receivable	3,829,412	22,606,638
Interest receivable	-	1,442,404
Other receivables and prepayments	375,003	376,360
Financial assets at fair value through profit or loss	89,377,824	70,609,481
Total assets	98,463,389	103,302,630
Liabilities		
Advisory fees payable	(363,035)	(375,381)
Other payables and accruals	(75,815)	(78,202)
Total liabilities	(438,850)	(453,583)
Net assets attributable to shareholders	98,024,539	102,849,047
Net assets attributable to:		
Class A	87,504,769	91,811,526
Class B	10,519,670	11,037,421
Class C	100	100
Net assets attributable to shareholders	98,024,539	102,849,047

STATEMENT OF CASH FLOWS

	Audited for the year ended 31 December 2018	Audited for the year ended 31 December 2017
	US\$	US\$
Net cash (used in) / generated from operating activities	(3,386,597)	7,649,240
Net cash flows used in financing activities	-	(4,500,000)
Net (decrease) / increase in cash and cash equivalents	(3,386,597)	3,149,240
Cash and cash equivalents at beginning of year	8,267,747	5,118,507
Cash and cash equivalents at end of year	4,881,150	8,267,747

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
Decrease in net assets attributable to shareholders from operations	(4,306,757)	(517,751)	-	(4,824,508)
Audited as at 31 December 2018	87,504,769	10,519,670	100	98,024,539
Number of shares in issue	16,636,409	2,000,000	100	
Net asset value per share	US\$5.2598	US\$5.2598	US\$ 1	

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Audited for the year ended 31 December 2018	Audited for the year ended 31 December 2017
INCOME	US\$	US\$
Net gain on financial assets at fair value through profit or loss	-	2,188,546
Interest income	161,982	1,023,055
Dividend income	1,575,000	2,300,000
Other income	-	6,282
	1,736,982	5,517,883
EXPENSES		
Net loss on financial assets at fair value through profit or loss	(3,019,952)	-
Provision for impairment	-	(5,216,299)
Loan interest	-	(371,958)
Professional fees	(64,097)	(148,250)
Advisory fees	(1,467,895)	(1,281,611)
Audit fees	(21,275)	(19,629)
Bank charges	(9,443)	(11,048)
Accounting fees	(56,280)	(56,280)
Disbursements	(3,073)	(1,825)
Licence fees	(21,866)	(20,797)
Due diligence fees	(560,414)	-
Legal fees	(40,975)	-
Directors' fees	(120,572)	(135,207)
Receivable written off	(20,000)	(37,945)
Other expenses	(37,463)	(58,723)
	(5,443,305)	(7,359,572)
Loss before tax	(3,706,323)	(1,841,689)
Income tax expense	-	-
Loss for the year	(3,706,323)	(1,841,689)
Finance costs – Distribution to shareholders	(1,118,185)	(2,702,279)
Decrease in net assets attributable to shareholders from operations	(4,824,508)	(4,543,968)

2017

	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
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	US\$5.5187

NOTES

- The abridged audited financial statements for the year ended 31 December 2018 ("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 2017 which are in compliance with the International Financial Reporting Standards, as well as applying IFRS9 and IFRS15 as from 1 January 2018. The auditors' report to the financial statements is unqualified.
- 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 22 March 2019.
- 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

Perigeum Capital Ltd
SEM Authorised representative and Sponsor

22 March 2019

