

SAFARI INVESTMENTS RSA LIMITED

Registration number: 2000/015002/06

Approved as a REIT by the JSE Limited

JSE share code: SAR

ISIN: ZAE000188280

Republic of South Africa

("Safari" or the "company" or the "group")


**PRELIMINARY AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
AND DIVIDEND DECLARATION**

The preparation of the preliminary consolidated financial results for the year ended 31 March 2020 was prepared under the supervision of the financial director, WL Venter (CA (SA)).

2020 Performance Overview

- Income producing properties: 9
- 3,3% vacancy rate
- R149/m² monthly weighted average gross rental/m² for retail sector
- R188/m² monthly weighted average gross rental/m² for health care sector
- R72/m² monthly weighted average gross rental/m² for living sector
- R181/m² monthly weighted average gross rental/m² for office sector
- 99% retail sector; 1% health care sector; <1% living and office sector
- 87% (rentable area) national tenants
- 175 135m² total rentable area m² of property portfolio
- R3,27 billion property portfolio value

Property portfolio for the year ended 31 March 2020

Name	Location	Property type
Shopping centres		
Atlyn	Cnr Phudufufu and Khoza Streets, Atteridgeville	Retail
Mnandi	Maunde Street, Atteridgeville	Retail
Denlyn	Cnr Stormvoël and Maphalla Roads, Mamelodi	Retail
Thabong	Moshoeshoe Street, Sebokeng Unit 10, Ext 1, Sebokeng	Retail
The Victorian	Cnr Voortrekker and Jordaan Streets, Heidelberg	Retail
Platz am Meer	Swakopmund, Namibia (cnr Albatros and Tavorite Streets)	Retail
Thornhill	Cnr Veldspaat Street and Munnik Avenue, Polokwane	Retail
Nkomo Village	Cnr Lengau, Thlou, Lepogo and Church Streets, Atteridgeville	Retail
Private day hospital		
Soweto	R558, Protea Glen, Soweto	Healthcare
Stands for development		
Sebokeng	Erf 77666 Moshoeshoe Street, Sebokeng	
Lynnwood	Cnr Lynnwood and Roderick Roads – Sussex and Roderick, Lynnwood	
Swakopmund	Swakopmund, Namibia (cnr Albatros and Tavorite Street)	
Atteridgeville – Nkomo Village remaining bulk	49 Tlou Street, Atteridgeville	
Inventory	Location	Property type
29 Luxury apartments	Albatros Street, Swakopmund, Namibia	Apartments

Name	Region	Market value as attributed by independent valuer R'000	Rentable area/m2	Vacancy %
Shopping centres				
Atlyn	Gauteng	577 600	31 257	4
Mnandi	Gauteng	136 900	8 717	6
Denlyn	Gauteng	798 900	34 512	1
Thabong	Gauteng	557 484	34 539	0
The Victorian	Gauteng	161 900	11 781	13
Platz am Meer	Erongo, Namibia	245 830	21 285	7
Thornhill	Polokwane	226 000	12 390	0
Nkomo Village	Gauteng	316 113	19 275	4
Private day hospital				
Soweto	Gauteng	41 000	1 379	0
Total			175 135	
		Market value as attributed by independent valuer R'000	m²	Vacancy %
Stands for development				
Sebokeng	Gauteng	1 916	5 502	n/a
Lynnwood	Gauteng	36 500	13 133	n/a
Swakopmund	Erongo, Namibia	31 762	8 500	n/a
Atteridgeville - Nkomo Village remaining bulk	Gauteng	17 487	23 102	n/a
		Market value as attributed by independent valuer R'000		
Inventory				
29 Luxury apartments	Erongo, Namibia	122 684		
Total		3 272 076		

Name	Weighted Average gross rental/m ²	Zoning	Freehold/ leasehold	Approximate age of building years
Shopping centres				
Atlyn	145	Special – various	Freehold	12
Mnandi	134	Special – various	Freehold	4
Denlyn	195	Special – various	Freehold	15
Thabong	156	Special – various	Freehold	11
The Victorian	114	Special – various	Freehold	20
Platz am Meer	96	Special – various	Freehold	4
Thornhill	190	Special – various	Freehold	11
Nkomo Village	124	Special – various	Freehold	1,5
Private day hospital				
Soweto	188	Special – various	Freehold	3,5
Stands for development				
Sebokeng	n/a	Special – various	Freehold	
Lynnwood	n/a	Special – various	Freehold	
Swakopmund	n/a	Special – various	Freehold	
Atteridgeville - Nkomo Village remaining bulk	n/a	Special – various	Freehold	
Inventory				
29 Luxury apartments	n/a	Special – various		

Nature of business

Safari invests in quality income-generating property mainly focused on the retail sector. There was no material change in the nature of the business during the financial year.

Events during and subsequent to the reporting period

Events during the financial period

Safari entered into a non-cancellable lease agreement with Wealthgate Investments 45 Proprietary Limited for the corporate head office of Safari. The lease agreement commenced on 1 May 2019 and is for a duration of five years with an option to renew for a further three years, this results in a present value of lease payments as at 1 May 2019 of R7 831 145.

On 24 June 2019, a final cash distribution for the previous financial year of 24 cents per share was declared and paid to shareholders on 15 July 2019.

At the Annual General Meeting held on 7 August 2019 all resolutions were passed except for ordinary resolution number 10 being the general authority to issue shares for cash. Mr JP Snyman and Ms FN Khanyile were re-elected as non-executives and Ms FN Khanyile, Dr M Minnaar and Mr AE Wentzel were reappointed as members of the audit and risk committee who retired by rotation in terms of the memorandum of incorporation and being eligible offered themselves for re-election. It was further resolved that the directors of the company be authorised, by way of a general authority, to repurchase shares. The shareholders also passed a non-binding advisory vote on the Company's Remuneration Policy as well as the 2019 Implementation Report on the Company's Remuneration Policy which is available for inspection on the Company's website.

On 28 May 2019 the board accepted the resignation tendered by Mr FJJ Marais. Dr JP Snyman, at that time a current independent non-executive director and former chairman of Safari, was reappointed as chairman of the company with

immediate effect. Subsequent to the resignation of MS LL Letlape on 16 October 2019, two new independent non-executive board members were appointed on 14 November 2019: Mr ER Swanepoel and Mr AM Slabber. When Dr JP Snyman resigned on 31 December 2019, Mr AM Slabber was appointed as the new independent non-executive chairman.

Shareholders are referred to note 4 with regards to the Southern Palace transaction and are advised that the board entered into further agreements during the current period whereby:

A portion of the senior facility amounting to R252 032 465 was settled by Safari which resulted in a further claim by Safari against Southern Palace; and amended the reversionary pledge and cession in security agreement given by Southern Palace in favour of Safari to include the additional amounts owing to Safari and, in addition, entered into a guarantee and pledge and cession in security agreement by Southern Palace Holdco in favour of Safari in order to secure Safari's position with regards to, amongst other things, the aforementioned claim.

Shareholders are referred to SENS announcements published on 2 July 2019 and 14 August 2019 relating to the proposed friendly Fairvest merger which was officially terminated on 14 August 2019.

Shareholders are also referred to SENS announcements published on 22 July 2019, 26 August 2019, 12 September 2019, 27 September 2019 and 15 October 2019 relating to receipt of an unsolicited firm intention proposal from Community Property Company Proprietary Limited ("Comprop") and subsequent updates.

During December 2019, an interim cash distribution of 24 cents per ordinary share was declared and paid to shareholders.

On 11 March 2020 Safari appointed BDO South Africa Incorporated as its external auditor with Paul Badrick being the designated audit partner.

Financial results and activities

The operating results and state of affairs of the group are fully set out in the consolidated annual financial statements.

The group recorded an operating profit, before investment revenue, fair value adjustments and finance costs for the year ended 31 March 2020, of R225 390 000 (2019: R181 061 000).

The group's revenue increased by 15% to R345 443 456 compared with the previous year's R299 426 469. A weighted average escalation on lease agreements of 4,84% for South Africa and 2.93% for the group was achieved for the 2020 financial year. Property expenses as a percentage of property revenue was 24% (2019: 26%).

The Safari group's gearing (loan to value) ratio increased from 24% to 33%.

The fair value of the group's investment property increased by 2,4% to R3 149 392 200. The income-generating properties were valued on the discounted cash flow method and are supported by Safari's 3,31% vacancy profile, the 87% national tenants' occupation level, a positive lease expiry profile and rental escalation achieved through the 2020 financial year. The net asset value per share increased by 6% to 769 cents for the year, from 723 cents in the prior year, mainly as a result of the 53 million Safari shares held by Southern Palace which are now classified as treasury shares and thus excluded in the calculation of net asset value per share for the 2020 financial year.

Dividends

In terms of REIT legislation, at least 75% of the distributable earnings must be distributed in every financial year. During 2020, Safari declared a total distribution of R149 196 488 (2019: R183 586 617). Refer to the distribution statement below for further details.

Going concern

The directors are of the opinion that the group has adequate financial resources to continue its operations for the foreseeable future and accordingly, the consolidated annual financial statements have been prepared on a going-concern basis.

The group is in a sound financial position and has access to sufficient borrowing facilities to meet its foreseeable cash requirements for operational activities and capital commitments. The directors are not aware of any material new changes that may have an adverse impact on the company, nor of any material non-compliance with statutory or regulatory requirements nor of any pending changes to legislation which may affect the group.

Litigation statement

In terms of section 11.26 of the JSE Listings Requirements, the directors are not aware of any legal or arbitration procedures that are pending or threatening, that might have had, in the previous 12 months, a material effect on the group's financial position.

Auditor

BDO South Africa Incorporated was appointed as auditor for the group on 11 March 2020. For the 2020 financial year, Mr Paul Badrick was the designated audit partner for the group.

Preliminary consolidated statement of financial position as at 31 March 2020

	2020 R'000	2019 R'000
Assets		
Non-current assets		
Property, plant and equipment	912	23
Right-of-use assets	6 934	-
Investment property	3 058 199	3 009 004
Fair value of investment property	3 149 392	3 075 542
Straight-line lease adjustment	(91 193)	(66 538)
Loans to shareholders	44 399	45 883
Operating lease asset	87 637	64 322
Deferred tax	24 234	23 743
	3 222 315	3 142 975
Current assets		
Inventories	122 684	153 438
Loans to shareholders	5 465	5 465
Trade and other receivables	12 593	9 185
Operating lease asset	3 557	2 215
Cash and cash equivalents	6 105	7 233
	150 404	177 536
Total assets	3 372 719	3 320 511
Equity and liabilities		
Equity		
Stated capital	1 606 452	1 828 902
Retained income	375 711	417 245
	1 982 163	2 246 147
Liabilities		
Non-current liabilities		
Interest-bearing borrowings	500 000	781 656
Derivatives	23 875	2 005
Lease liabilities	6 975	-
Deferred tax	19 206	16 921
	550 056	800 582

Current liabilities		
Trade and other payables	32 089	23 215
Interest-bearing borrowings	587 240	467
Derivatives	252	100
Lease liabilities	502	-
Share-based payment liability	220 417	250 000
	840 500	273 782
Total liabilities	1 390 556	1 074 364
Total equity and liabilities	3 372 719	3 320 511

Preliminary consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2020

	2020 R'000	Restated 2019 R'000
Revenue	345 444	299 427
Property revenue	320 788	275 979
Straight-line lease adjustment	24 656	23 448
Other income	5 444	2 167
Gain on sale of inventory	566	-
Sales	21 340	-
Cost of sales	(20 774)	-
Impairment of inventory	(11 233)	(16 210)
Operating expenses	(114 831)	(104 323)
Operating profit	225 390	181 061
Investment income	5 605	5 907
Fair value adjustments	(8 179)	(32 077)
Gross fair value adjustments	16 477	(8 629)
Straight-line lease adjustment	(24 656)	(23 448)
Finance costs	(90 995)	(37 200)
Fair value loss on hedging instruments	(21 870)	(2 005)
Profit before taxation	109 951	115 686
Taxation	(2 289)	8 293
Profit for the year	107 662	123 979
Other comprehensive income	-	-
Total comprehensive income for the year	107 662	123 979
Basic earnings per share (cents)	42	48
Diluted earnings per share (cents)	42	40

Preliminary consolidated statement of changes in equity for the year ended 31 March 2020

	Stated capital R'000	Share-based payment reserve R'000	Retained income R'000	Total equity R'000
Balance as at 1 April 2018	2 087 928	49 800	427 053	2 564 781
Profit for the year	–	–	123 980	123 980
Other comprehensive income	–	–	–	–
Total comprehensive income for the year	–	–	123 980	123 980
Share-based payment	(7 356)	(49 800)	49 800	(7 356)
Share buy-back	(1 670)	–	–	(1 670)
Share-based payment liability	(250 000)	–	–	(250 000)
REIT distribution paid	–	–	(183 587)	(183 587)
Total contributions by and distributions to owners of company recognised directly in equity	(259 026)	(49 800)	(133 787)	(442 613)
Balance as at 1 April 2019	1 828 902	-	417 245	2 246 147
Profit for the year	–	–	107 662	107 662
Other comprehensive income	–	–	–	–
Total comprehensive income for the year	–	–	107 662	107 662
Share-based payment	(2 033)	-	-	(2 033)
Share-based payment liability	(220 417)	–	–	(220 417)
REIT distribution paid	–	–	(149 196)	(149 196)
Total contributions by and distributions to owners of company recognised directly in equity	(222 450)	-	(149 196)	(371 646)
Balance as at 31 March 2020	1 606 452	–	375 711	1 982 163

Preliminary consolidated statement of cash flows for the year ended 31 March 2020

	2020 R'000	Restated 2019 R'000
Net cash generated from / (used in) operating activities		
Cash generated from operations	237 633	182 531
Investment income	5 759	5 907
Finance costs	(89 859)	(42 924)
REIT distribution paid	(149 197)	(183 587)
Tax paid	(495)	(156)
Net cash generated from / (used in) operating activities	3 841	(38 229)
Cash used in investing activities		
Purchase of property, plant and equipment	(1 060)	(24)
Purchase and development of investment property	(57 374)	(391 001)
Net cash used in investing activities	(58 434)	(391 025)
Cash flows from financing activities		
Reduction of share capital or buy-back of shares	(252 033)	(9 026)
Proceeds from interest-bearing borrowings	564 983	1 001 172
Repayment of interest-bearing borrowings	(259 782)	(560 575)
Repayment on shareholders' loan	1 289	1 968
Payment lease liabilities (lessee)	(993)	-
Net cash from financing activities	53 465	433 539
Total cash movement for the year	(1 128)	4 285
Cash and cash equivalents at the beginning of the year	7 233	2 948
Total cash and cash equivalents at the end of the year	6 105	7 233

Segmental reporting 2020

The group classifies the following main segments, which is consistent with the way the group reports internally: Atteridgeville, Mamelodi, Sebokeng, Polokwane, Heidelberg and Namibia. Head office, Lynnwood and Soweto is regarded as reconciling.

Segment results and net assets, include items that can be directly attributable to a segment as well as those that can be allocated on a reasonable basis.

	Atteridge- ville R'000	Mamelodi R'000	Sebokeng R'000	Heidelberg R'000
As at 31 March 2020				
Turnover (external)	113 042	80 681	71 354	18 081
Reportable segment profit before investment revenue, fair value adjustments and finance costs	97 721	70 469	50 811	12 739
Unallocated reportable segment profit before investment revenue, fair value adjustments and finance costs	—	—	—	—
Profit before investment revenue, fair value adjustments and finance costs	97 721	70 469	50 811	12 739
Segment assets and liabilities				
Segment assets	1 051 238	799 254	559 712	162 919
Unallocated assets	—	—	—	—
Total assets	1 051 238	799 254	559 712	162 919
Segment liabilities	6 629	3 234	4 234	753
Unallocated liabilities	—	—	—	—
Interest-bearing borrowings	—	—	—	—
Total liabilities	6 629	3 234	4 234	753
Other segment items				
Interest revenue (external)	—	—	—	—
Unallocated interest revenue	—	—	—	—
Investment revenue	—	—	—	—
Fair value adjustments	(3 439)	2 391	26 411	(9 962)
Interest expense	—	—	—	—
Unallocated interest expense	—	—	—	—
Finance costs	—	—	—	—

	Limpopo R'000	Namibia R'000	Recon- cilia- tion R'000	Total R'000
As at 31 March 2020				
Turnover (external)	30 510	27 443	4 333	345 444
Reportable segment profit before investment revenue, fair value adjustments and finance costs	20 342	8 723	–	260 806
Unallocated reportable segment profit before investment revenue, fair value adjustments and finance costs	–	–	(35 416)	(35 416)
Profit before investment revenue, fair value adjustments and finance costs	20 342	8 723	(35 416)	225 390
Segment assets and liabilities				
Segment assets	227 204	404 367	–	3 204 694
Unallocated assets	–	–	168 024	168 024
Total assets	227 204	404 367	168 024	3 372 719
Segment liabilities	1 683	3 687	–	20 220
Unallocated liabilities	–	–	283 097	283 097
Interest-bearing borrowings	–	–	1 087 240	1 087 240
Total liabilities	1 683	3 687	1 370 337	1 390 556
Other segment items				
Interest revenue (external)	-	216	–	216
Unallocated interest revenue	–	–	5 389	5 389
Investment revenue	-	216	5 389	5 605
Fair value adjustments	14 507	(9 728)	(3 704)	16 477
Interest expense	–	–	–	–
Unallocated interest expense	79	–	90 916	90 995
Finance costs	79	–	90 916	90 995

	Atteridge- ville R'000	Mamelodi R'000	Sebokeng R'000	Heidelberg R'000
As at 31 March 2019				
Turnover (external)	86 892	79 787	65 665	21 557
Reportable segment profit before investment revenue, fair value adjustments and finance costs	70 727	67 134	44 366	14 650
Unallocated reportable segment profit before investment revenue, fair value adjustments and finance costs	—	—	—	—
Profit before investment revenue, fair value adjustments and finance costs	70 727	67 134	44 366	14 650
Segment assets and liabilities				
Segment assets	1 007 076	793 136	534 791	171 966
Unallocated assets	—	—	—	—
Total assets	1 007 076	793 136	534 791	171 966
Segment liabilities	6 135	3 109	4 097	566
Unallocated liabilities	—	—	—	—
Interest-bearing borrowings	—	—	—	—
Total liabilities	6 135	3 109	4 097	566
Other segment items				
Interest revenue (external)	—	—	—	(4)
Unallocated interest revenue	—	—	—	—
Investment revenue	—	—	—	(4)
Fair value adjustments	(15 418)	(3 916)	25 604	5 438
Interest expense	—	—	—	—
Unallocated interest expense	—	—	—	—
Finance costs	—	—	—	—

	Limpopo R'000	Namibia R'000	Recon- cilia- tion R'000	Total R'000
As at 31 March 2019				
Turnover (external)	10 751	30 458	4 316	299 427
Reportable segment profit before investment revenue, fair value adjustments and finance costs	9 172	3 162	–	209 211
Unallocated reportable segment profit before investment revenue, fair value adjustments and finance costs	–	–	(28 150)	(28 150)
Profit before investment revenue, fair value adjustments and finance costs	9 172	3 162	(28 150)	181 061
Segment assets and liabilities				
Segment assets	205 568	442 697	–	3 155 235
Unallocated assets	–	–	165 276	165 276
Total assets	205 568	442 697	165 276	3 320 511
Segment liabilities	2 212	4 022		20 141
Unallocated liabilities	–	–	269 996	269 996
Interest-bearing borrowings	–	–	784 228	784 228
Total liabilities	2 212	4 022	1 054 224	1 074 364
Other segment items				
Interest revenue (external)	12	324	–	333
Unallocated interest revenue	–	–	5 574	5 574
Investment revenue	12	324	5 574	5 907
Fair value adjustments	30 319	(56 512)	5 856	(8 629)
Interest expense	–	–	–	–
Unallocated interest expense	–	–	37 200	37 200
Finance costs	–	–	37 200	37 200

Earnings per share for the year ended 31 March 2020

	2020 R'000	2019 R'000
Earnings used in the calculation of basic earnings per share (profit after tax)	107 662	123 979
Ordinary shares in issue at year end	257 826	257 826
Weighted average number of ordinary shares	257 826	258 128
Diluted weighted average number of shares	257 826	311 128
Headline earnings	91 185	132 608
Basic earnings per share (cents)	41,76	48,03
Diluted earnings per share (cents)	41,76	39,85
Basic headline earnings per share (cents)	35,37	51,37
Diluted headline earnings per share (cents)	35,37	42,62
Headline earnings reconciliation		
Basic earnings (profit after tax)	107 662	123 979
Gains and losses from the adjustment to fair value of non-current assets	(16 477)	8 629
Headline earnings	91 185	132 608

Net asset value per share

	2020 R'000	2019 R'000
Total assets	3 372 719	3 320 511
Total liabilities	(1 390 556)	(1 074 364)
	1 982 163	2 246 147
Ordinary shares in issue (excluding 53 million Safari shares held by Southern Palace in 2020)	257 827	310 826
Net asset value per share (cents)	769	723
Tangible net asset value (cents)	769	723

After year-end, Safari had settled Sanlam's claim and now holds the 53 million Southern Palace shares as security.

One of various options Safari's board is considering is to, subject to shareholder approval, buy back by way of settlement against the claim Safari has against Southern Palace and cancel the 53 million shares held by Southern Palace.

REIT distribution paid

	2020 R'000	2019 R'000
Prior year final distribution (24 cents per share) (2019: 33 cents per share)	(74 598)	(102 692)
Interim distribution (24 cents per share) (2019: 26 cents per share)	(74 598)	(80 895)
	(149 196)	(183 587)

Distribution statement

	2020 R'000	2019 R'000
Revenue (including recoveries)	350 888	301 594
Lease-smoothing effect	(24 656)	(23 448)
Expenses	(114 831)	(104 323)
Net interest	(85 390)	(31 293)
Interest income	5 605	5 907
Interest expense	(90 995)	(37 200)
Transaction costs expensed *	13 924	13 246
Distributable earnings	139 935	155 776
Interim distribution paid	(74 598)	(80 815)
Interim distribution per share (cents)	24	26
Available for distribution at year end	65 337	74 961
Actual number of shares sharing in dividend	310 826 016	310 826 016
Actual number of shares excluding 53 million Safari shares held by Southern Palace in 2020	257 826 016	N/A
Final distributable income per share (cents) available	25	24
Percentage of distributable income distributed for the financial year	94%	100%
Final distribution per share (cents)	22	24

The decrease in distribution per share is attributed to:

The continued challenging retail environment in South Africa and Namibia putting rental renewals under pressure; and the increased interest expense resulting from the guarantee payments on the Southern Palace transaction.

Due to uncertainty at this point in time regarding the impact of COVID-19 in the longer term, the board decided not to distribute 100% of distributable income, which would have translated to 25c per share on the final distribution. Until there is more clarity on the impact of COVID-19, the board can also not give guidance on expected future distributions. The board continues to monitor the situation and will keep shareholders updated.

Note that the 53 million shares are currently pledged to Safari as security for the claim Safari has against Southern Palace. The shares are classified as "treasury shares" in calculation of distribution per share because the full distribution paid on these shares will be paid over to Safari against the claim Safari has against Southern Palace.

*Transaction cost added back to determine the 2020 distributable income mostly relates to corporate action expenses incurred during the financial year with relation to the proposed Fairvest merger, the subsequent Comprop unsolicited cash offer and the subsequent proposed offer by Heriot as disclosed in various SENS announcements.

Basis of preparation

The preliminary consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports and the requirements of the Companies Act 71 of 2008 of South Africa, as amended. The JSE Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the presentation and disclosure requirements of IAS 34 – Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council and the Companies Act 71 of 2008.

Explanatory notes to the preliminary consolidated statement of financial position and preliminary consolidated statement of comprehensive income for the year ended 31 March 2020:

1. It is the group's policy to have the investment property portfolio valued on an annual basis by an independent valuer. The valuation of investment property (except for the property valuations based on the direct comparable method as detailed below) totaling R3 061 727 000 (2019: R2 999 119 000) was based on the discounted cash flow method.

The valuation of investment property (Lynnwood and other vacant stands / remaining bulk), totaling R87 665 000 (2019: R76 423 000) was based on the direct comparable method, plus development cost. This method was used as the aforementioned portions are not yet income earning (not yet generating cash flow).

These valuations are considered to be Level 3 on the fair value hierarchy as per IFRS 13 Fair Value Measurement. There have been no movements of inputs between fair value hierarchy levels nor have there been any changes in the methods of valuation as mentioned above. If the valuer were to increase both the capitalisation and discount rates by 0,50%, the total valuation would decrease by R157 192 200. If the valuer were to decrease both the capitalisation and discount rates by 0,50%, the total valuation would increase by R175 907 800.

If the valuer were to increase the long-term vacancy provision by 1,00%, the total valuation would decrease by R16 392 200. If the valuer were to decrease the long-term vacancy provision by 1,00% the total valuation would increase by R16 107 800.

2. The average annualised property yield for the income-generating property portfolio based on market values as at 1 April 2019 is 8,15% for the 2020 financial year. Included in revenue is gross rent, solar income, sundry income and turnover rent for all income-generating properties and all property expenses have been deducted.

3. The 29 luxury upmarket apartments are available for sale in the ordinary course of business. The apartments were impaired by R11,2 million in the current financial year.

4. During June 2019 Safari paid a portion of the outstanding Southern Palace facility over to Sanlam after Sanlam called on the guarantee provided by Safari. A share-based payment liability of R250 million was raised on 31 March 2019 as disclosed in the 2019 integrated annual report. The liability was posted against stated capital (equity). The liability was settled during June 2019 and resulted in increased interest-bearing debt.

As per the SENS announcement published on 4 May 2020, the repayment of the outstanding balance under the Sanlam Southern Palace facility had been called upon by Sanlam from Southern Palace, consequently, Southern Palace did not make the required payment. On 6 May 2020, Safari, in terms of the Safari guarantee, paid over to Sanlam the outstanding debt of R220 416 716 from existing debt facilities.

At 31 March 2020 Safari had provided for a share-based payment liability of R220 416 716 due to a higher probability of settlement under the Safari guarantee which was evidently settled on 6 May 2020. Safari holds a pledge over the 53 million Safari shares as security for the claim against Southern Palace and would recover, as a minimum for the debt owed by Southern Palace, the value of the shares upon realisation or cancellation. As part of the board's considerations, cancellation of all or some of these shares may present additional consequences to shareholders which may be beneficial e.g. dividend per share. The 53 million shares are classified as treasury shares for accounting purposes.

5. Trade and other receivables consists of mainly outstanding rental balances and recoveries. Note that there is a timing difference on recovery of utilities at Nkomo Village and Thornhill shopping centres. Allowance for credit losses were also raised in terms of IFRS9.

Trade and other payables consist of tenant deposits held, income received in advance, accrued expenses and VAT payable to the Receiver of Revenue for the financial period under review.

6. During the previous financial year, Safari successfully implemented a Security SPV whereby bonds have been registered over most of Safari's investment properties in the security SPV structure to provide pooled security to lenders. The structure is regulated by a Common Terms Agreement ("CTA"), cession of security, counter indemnity agreements as well as debt guarantees. Absa is currently Safari's sole financier.

Secured loans:

Facility A: R300 000 000 accruing interest at the three-month JIBAR rate plus 1,75%

Facility B: R200 000 000 accruing interest at the three-month JIBAR rate plus 1,95%

Facilities C&D: R900 000 000 accruing interest at the prime bank overdraft rate less 1,05%

(Prime: 8,75% (2019: 10,25%) at year end of which R100 000 000 is an Absa guarantee relating to the Southern Palace Capital Proprietary Limited. Negotiations with the lender for new facilities to replace the maturing facilities are at an advanced stage with lender credit approval already in place by date of publication of this report. The implementation of the new facilities remains subject to conditions precedent usual and customary for facilities of this nature.

7. The property revenue increased by 16% compared with the previous year. The increase is a result of annual rental escalations and the fact that Nkomo Village and Thornhill shopping centres generated rental income for a full 12 months compared to a portion of the previous financial period.

8. Property expenses as a percentage of property revenue was 24% compared to 26% in the previous year's results. Stringent budgeting and continuous monitoring of expenses remain a focus area for management.

9. The deferred tax asset for Namibia is a result of the downward fair valuation of the Platz am Meer property. Management's judgement is that the current economic climate together with certain property-specific matters, which are being addressed, resulted in the downward valuation and should be reversed once there is a turn-around. The valuation of the asset will be assessed at each reporting period.

10. Restatement and reclassification of comparatives: The sale of inventory in the current year has highlighted the issue in respect to the placement of the inventory line items, namely the gain on sale of inventory and the impairment of inventory in the consolidated statement of profit or loss and other comprehensive income. The prior year impairment of inventory line item has been restated, to be presented consistently with the current year, effectively reducing operating profit for the prior year. The total comprehensive income for the prior year remained unchanged. The comparative amounts relating to the proceeds and repayments of interest-bearing borrowings on the consolidated statement of cash flows for the prior year has been reclassified to present consistently with the current year, effectively removing interest paid from the repayment of interest-bearing borrowings.

Financial statements

The consolidated financial statements for the year have been audited by BDO South Africa Incorporated and an unmodified report issued, and is available for inspection at the group's registered office.

The preliminary consolidated financial statements are extracted from the audited financial information but are not themselves audited. Information included under the headings "2020 Performance overview" and "Director's report" has not been audited or reviewed. Shareholders are advised that in order to obtain a full understanding of the nature of the auditors' engagement the report with accompanying financial statements is available at the group's registered offices. The directors take full responsibility for the preparation of the preliminary results and all financial information has been correctly extracted from the underlying annual financial statements.

The consolidated annual financial statements were approved by the Board of Directors on 3 July 2020.

New standards and interpretations

The accounting policies of the group have been applied consistently to the policies as presented in the consolidated financial statements for the year ended 31 March 2019 save for the adoption of new and amended standards as set out below:

- IFRS 16 Leases: The adoption of IFRS 16 had no material impact on the results.

Events subsequent to the reporting period

The group is continuously monitoring the impact of COVID-19 and is negotiating with all stakeholders to mitigate the risks that have become apparent. While rental collection for the period post financial year-end has remained robust, it is still too early to quantify the full impact of COVID-19 on the portfolio.

Recovery of rental from a component of retail tenants which are still restricted to trade remain doubtful and we continue engaging on an individual basis and on a case-by-case level to help ensure sustainability of businesses during these uncertain times. While there is indeed this pressure on rental revenue in the short term, the portfolio remains defensive and resilient.

The Company is also engaging with its bankers on a proactive basis regarding the possible impact of COVID-19 on its covenant levels. Furthermore, Safari has notified its insurance brokers of a claim for loss of income as a result of business interruption arising from infectious diseases. Shareholders are also referred to the SENS announcement published on 10 June 2020.

Shareholders are referred to the SENS announcement published on 4 May 2020 relating to the Southern Palace transaction. Also refer to note 4 regarding a share-based payment liability raised on 31 March 2020.

Independent non-executive chairman AM Slabber and independent non-executive director ER Swanepoel resigned with effect from 21 June 2020. AE Wentzel has assumed the chairmanship of the board on an interim basis, pending appointment of further directors to the board.

Matters approved by the board at the board meeting held on 3 July 2020:

A final cash distribution of 22 cents per Safari share and will be paid to shareholders on 3 August 2020.

The directors are not aware of any other material reportable events which occurred during and subsequent to the reporting period.

Board commentary

Profile

Safari Investments RSA Limited (Safari), with a total asset base of R3,37 billion, is a retail-focused Real Estate Investment Trust (REIT) listed on the Johannesburg Stock Exchange Limited (JSE) main board under the property sector.

Safari invests in quality income-generating property; revenue is generated through sustainable rental income. There were no changes to the nature of the business during the financial period under review.

Property portfolio

The property portfolio consists of 9 properties. Eight of the properties are established retail centres, of which four are serving as regionals in their areas. The Soweto Day Hospital, operational since January 2016, also forms part of the Safari property portfolio. The aforementioned properties are the income-generating assets in the Safari portfolio. These include (rentable area) Denlyn in Mamelodi (34 512m²); Atlyn (31 257m²), Nkomo Village (19 275m²) and Mnandi (8 717m²) in Atteridgeville; Thabong in Sebokeng (34 539m²); The Victorian in Heidelberg (11 781m²); Platz am Meer in Swakopmund (21 285m²); Thornhill in Polokwane (12 390m²) and the Soweto Day Hospital (1 379m²). The retail centres are anchored by national retailers such as Shoprite /Checkers, Super Spar, Boxer and Pick n Pay. Safari's current rental portfolio is 99% retail based.

The luxury apartments that form part of Platz am Meer in Swakopmund are currently being marketed on an open mandate.

Letting activity

Safari's vacancy factor in its portfolio as at 31 March 2020 was 3,3% (2019: 2,6%) of the total income-generating retail space which consisted of 87% (2019: 86%) national tenants.

Prospects

Safari expects to continue to operate in a fragile South African and Namibian economy but will remain focused on refining its portfolio to ensure that sustainable income is being generated from assets and will continue to manage assets to remain defensive in tough trading conditions. The company will achieve this through continued hands-on management, repositioning assets and disposing of assets not within its strategic focus.

Dividend declaration

Shareholders are advised that the directors of Safari have approved and declared a final gross cash distribution of 22 cents per share for the period ended 31 March 2020 from income reserves.

Shareholders will not be able to elect to reinvest the cash distribution in return for ordinary shares.

Salient dates and times

The following salient dates and times are applicable to the final dividend:

Declaration date	Friday, 10 July 2020
Last day to trade cum dividend distribution	Tuesday, 28 July 2020
Shares trade ex dividend distribution	Wednesday, 29 July 2020
Record date	Friday, 31 July 2020
Payment date	Monday, 3 August 2020

notes:

Shares may not be dematerialised or rematerialised between commencement of trade on Wednesday, 29 July 2020 and the close of trade on Friday, 31 July 2020, both days inclusive.

Tax implications

In accordance with Safari's status as a Real Estate Investment Trust ("REIT"), 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 ("Income Tax Act"). The dividends on the shares will be deemed to be dividends for South African tax purposes in terms of section 25BB of the Income Tax Act.

Tax implications for South African resident shareholders

Dividends 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 exemption contained in section 10(1)(k)(i) (aa) of the Income Tax Act because they are dividends distributed by a REIT. These dividends are however

exempt from dividend withholding tax ("Dividend Tax") in the hands of South African resident shareholders provided that the South African resident shareholders have provided to the CSDP or broker, as the case may be, in respect of uncertificated shares, or the company, in respect of certificated shares, a DTD(EX) (Dividend Tax: Declaration and undertaking to be made by the beneficial owner of a share) form to prove their status as South African residents.

If resident shareholders have not submitted the abovementioned documentation to confirm their status as South African residents, they are advised to contact their CSDP, or broker, as the case may be, to arrange for the documents to be submitted prior to the payment of the dividend.

Tax implications for non-resident shareholders

Dividends received by non-resident shareholders from a REIT will not be taxable as income and instead will be treated as ordinary dividends which are exempt from income tax in terms of the general dividend exemption in section 10(1)(k)(i) of the Income Tax Act. With effect from 1 January 2014, any dividend received by a non-resident from a REIT will be subject to Dividend 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 non-resident shareholder. Assuming Dividend Tax will be withheld at a rate of 20%, the net distribution amount due to non-resident shareholders is 17.6 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 forms to their CSDP or broker, as the case may be, in respect of uncertificated shares, or the company, in respect of certificated shares:

- a declaration that the dividend is subject to a reduced rate as a result of the application of a DTA; and
- a written undertaking to inform the CSDP, broker or the company, as the case may be, 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.

If applicable, non-resident shareholders are advised to contact the CSDP, broker or the company, as the case may be, to arrange for the abovementioned documents to be submitted prior to payment of the dividend if such documents have not already been submitted.

Other information

- The ordinary issued share capital of Safari is 310 826 016 ordinary shares of no par value as at the dividend declaration date.
- Income tax reference number of Safari: 9012/264/14/0.

By order of the Board
10 July 2020

Corporate information
Safari Investments RSA Limited
(Registration number: 2000/015002/06)
JSE code: SAR
ISIN: ZAE000188280
Country of incorporation: Republic of South Africa (7 July 2000)

Auditors
BDO South Africa Incorporated
Wanderers Office Park,
52 Corlett Drive, Illovo, Johannesburg 2196

Commercial banker
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(Registration number: 1986/004794/06)
Absa Towers East
170 Main Street, Johannesburg 2001
PO Box 7735, Johannesburg 2000

Group Company Secretary
Pieter van Niekerk LLB
The Corner Office, 410 Lynnwood Road, Lynnwood, Pretoria, 0081
Postal: As above

Directors of Safari Investments RSA Limited
DC Engelbrecht (Chief executive officer)
FN Khanyile (Independent non-executive)
M Minnaar (Independent non-executive)

K Pashiou (Executive)
CR Roberts (Independent non-executive)
WL Venter (Executive financial director)
AE Wentzel (Lead independent non-executive – interim chairman 21 June 2020)

Independent valuer

Mills Fitchet (Tvl) CC

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Sponsor

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