SAFARI INVESTMENTS RSA LTD

2020/

CONDENSED CONSOLIDATED UNAUDITED **INTERIM FINANCIAL RESULTS** AND INTERIM DIVIDEND DISTRIBUTION DECLARATION

FOR THE PERIOD ENDED 30 SEPTEMBER

The condensed consolidated interim financial statements are unaudited. The chief financial officer, Mr WL Venter, was responsible for the preparation of these unaudited financial statements, executed by the financial manager, Mr T Pothraju.

Safari Investments RSA Limited and Subsidiary
(Registration number: 2000/015002/06)

Published: 23 November 2020

AT A GLANCE

SA REIT NAV per share: **R7,58** (Sep 2019: R6,99)

Expired GLA renewed or re-let: **97%**

SA REIT LTV: **41%** (Sep 2019: 32%)

Portfolio occupancy rate: **97%**

SA REIT FFO per share: **19 cents** (Sep 2019: 24 cents)

Total GLA of property portfolio: **175 149m²**

SA REIT cost-to-income ratio: **39%** (Sep 2019: 32%)

Interim distribution per share: **17 cents** (Sep 2019: 24 cents)

Reversion rate on renewals: **+1,3%**

To achieve our vision and mission, we leverage our business model and focus on three strategic goals:

Grow a specialised portfolio ...

- To grow, diversify and mature a specialised portfolio of premium commercial property investments through capital allocation in high-yielding accretive assets.

Increase sustainable income ...

- To maintain and enhance our sustainable income stream through the application of quality management within our property portfolio.

Strengthen the Safari brand ...

- To continually improve the quality of the Safari brand by focusing on investor relations, brand awareness and upliftment of the communities where we operate.

INCOME-GENERATING RETAIL PORTFOLIO

for the period ended 30 September 2020

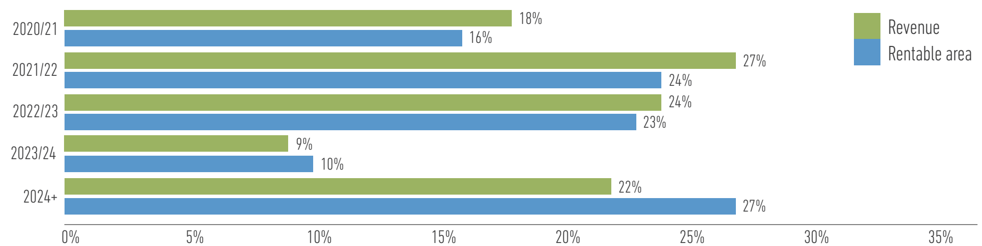
Geographic	Denlyn Mamelodi, Gauteng	Atlyn Atteridgeville, Gauteng	Mnandi Atteridgeville, Gauteng	Thabong Sebokeng, Gauteng	The Victorian Heidelberg, Gauteng
Trading since	2003	2006	2015	2007	1997
Total rentable area	34 512m²	31 239m²	8 717m²	34 539m²	11 781m²
Occupation levels	100%	99%	94%	100%	81%
National tenants	86%	87%	88%	81%	97%
Number of shops	122	96	30	99	38
Annual trading density/m² September 2020	R39 657/m²	R33 515/m²	R29 614/m²	R34 900/m²	R55 758/m²

	Platz am Meer Swakopmund, Namibia	Nkomo Atteridgeville, Gauteng	Thornhill Polokwane, Limpopo	Soweto Day Hospital Soweto, Gauteng
Trading since	2016	2018	2009	2016
Total rentable area	21 280m²	19 312m²	12 390m²	1 379m²
Occupation levels	93%	96%	100%	100%
National tenants	82%	86%	90%	N/A
Number of shops	72	60	36	N/A
Annual trading density/m² September 2020	R22 558/m²	R37 593/m²	R35 047/m²	N/A

Portfolio highlights

Portfolio vacancy rate	3%
Portfolio national tenancy % (GLA)	86%
Weighted average trading density for the portfolio	R35 546/m²
Current reporting period collection of billings	95,3%

Lease expiry profile of the portfolio



CONDENSED CONSOLIDATED STATEMENT OF **FINANCIAL POSITION**

as at 30 September 2020

	Note(s)	Unaudited 30 September 2020 R'000	Restated unaudited 30 September 2019 R'000	Audited 31 March 2020 R'000
Assets				
Non-current assets				
Property, plant and equipment		**878**	918	912
Right-of-use assets		**6 445**	7 423	6 934
Investment property	1	**3 058 120**	3 050 410	3 058 199
Fair value of investment property		**3 155 266**	3 130 569	3 149 392
Operating lease asset		**(97 146)**	(80 159)	(91 193)
Loans to shareholders		**44 035**	45 199	44 399
Operating lease asset	2	**93 898**	77 299	87 637
Deferred tax		**20 407**	19 148	24 234
		3 223 783	3 200 397	3 222 315
Current assets				
Derivatives		**–**	5	–
Inventories	3	**122 684**	153 438	122 684
Loans to shareholders		**5 351**	5 465	5 465
Trade and other receivables	5	**17 795**	10 543	12 593
Operating lease asset	2	**3 248**	2 860	3 557
Cash and cash equivalents		**4 922**	8 552	6 105
		154 000	180 863	150 404
Total assets		**3 377 783**	3 381 260	3 372 719
Equity and liabilities				
Equity				
Stated capital	4	**1 606 452**	1 826 869	1 606 452
Retained income	9	**333 688**	414 641	375 711
		1 940 140	2 241 510	1 982 163
Liabilities				
Non-current liabilities				
Interest-bearing borrowings	6	**824 656**	506 866	500 000
Derivatives		**56 371**	7 991	23 875
Lease liabilities		**6 665**	7 236	6 975
Deferred tax		**20 337**	17 916	19 206
		908 029	540 009	550 056
Current liabilities				
Trade and other payables	5	**26 927**	28 735	32 089
Interest-bearing borrowings	6	**500 312**	570 461	587 240
Derivatives		**1 804**	107	252
Lease liabilities		**571**	438	502
Share-based payment liability		**–**	–	220 417
		529 614	599 741	840 500
Total liabilities		**1 437 643**	1 139 750	1 390 556
Total equity and liabilities		**3 377 783**	3 381 260	3 372 719

CONDENSED CONSOLIDATED STATEMENT OF **PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

for the period ended 30 September 2020

	Note(s)	Unaudited Six months ended 30 September 2020 R'000	Restated unaudited Six months ended 30 September 2019 R'000	Audited Year ended 31 March 2020 R'000
Revenue		**153 349**	172 777	345 444
Property revenue	7	**147 397**	159 155	320 788
Operating lease straight-lining	2	**5 952**	13 622	24 656
Other income		**2 572**	1 639	5 444
Gain on sale of inventory	3	**–**	–	566
Sales		**–**	–	21 340
Cost of sales		**–**	–	(20 774)
Impairment of inventory		**–**	–	(11 233)
Operating expenses	8	**(57 125)**	(51 633)	(114 831)
Operating profit		**98 796**	122 783	225 390
Investment income		**2 158**	2 902	5 605
Finance costs		**(48 716)**	(42 003)	(90 995)
Fair value adjustments		**–**	–	(8 179)
Gross fair value adjustments	1	**–**	–	16 477
Operating lease straight-lining		**–**	–	(24 656)
Fair value loss on hedging instruments		**(32 496)**	(5 986)	(21 870)
Profit before taxation		**19 742**	77 696	109 951
Taxation		**(5 043)**	(5 701)	(2 289)
Profit for the period		**14 699**	71 995	107 662
Other comprehensive income		**–**	–	–
Total comprehensive income for the period	9	**14 699**	71 995	107 662
Basic earnings per share (cents)		**6**	28	42
Diluted earnings per share (cents)		**6**	23	42

CONDENSED CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

for the period ended 30 September 2020

	Share capital R'000	Retained income R'000	Total equity R'000
Balance as at 1 April 2019	1 828 902	417 244	2 246 146
Profit for the period	–	71 995	71 995
Other comprehensive income	–	–	–
Total comprehensive income for the period	–	71 995	71 995
Share-based payment	(2 033)	–	(2 033)
REIT distribution paid	–	(74 598)	(74 598)
Total contributions by and distributions to owners of the company recognised directly in equity	(2 033)	(74 598)	(76 631)
Balance as at 30 September 2019 (Unaudited)	1 826 869	414 641	2 241 510
Profit for the period	–	35 668	35 668
Other comprehensive income	–	–	–
Total comprehensive income for the period	–	35 668	35 668
Share-based payment liability	(220 417)	–	(220 417)
REIT distribution paid	–	(74 598)	(74 598)
Total contributions by and distributions to owners of the company recognised directly in equity	(220 417)	(74 598)	(295 015)
Balance as at 31 March 2020 (Audited)	**1 606 452**	**375 711**	**1 982 163**
Profit for the period	**–**	**14 699**	**14 699**
Other comprehensive income	**–**	**–**	**–**
Total comprehensive income for the period	**–**	**14 699**	**14 699**
Share-based payment	**–**	**–**	**–**
REIT distribution paid	**–**	**(56 722)**	**(56 722)**
Total contributions by and distributions to owners of the company recognised directly in equity	**–**	**(56 722)**	**(56 722)**
Balance as at 30 September 2020 (Unaudited)	**1 606 452**	**333 688**	**1 940 140**

CONDENSED CONSOLIDATED STATEMENT OF **CASH FLOWS**

for the period ended 30 September 2020

	Note(s)	Unaudited Six months ended 30 September 2020 R'000	Restated unaudited Six months ended 30 September 2019 R'000	Audited Year ended 31 March 2020 R'000
Net cash used in operating activities				
Cash generated from operations		**80 568**	113 821	237 633
Investment income		**2 329**	2 902	5 759
Finance costs		**(42 123)**	(39 226)	(89 859)
REIT distribution paid		**(56 722)**	(74 598)	(149 197)
Tax paid		**(85)**	(111)	(495)
Net cash used in operating activities	9	**(16 033)**	2 788	3 841
Cash used in investing activities				
Purchase of property, plant and equipment		**(78)**	(984)	(1 060)
Purchase and development of investment property		**(2 618)**	(40 730)	(57 374)
Net cash used in investing activities		**(2 696)**	(41 714)	(58 434)
Cash flows from financing activities				
Proceeds on share issue		**–**	–	–
Reduction of share capital or share-based payment		**(220 417)**	(252 033)	(252 033)
Proceeds from interest-bearing borrowings		**1 099 222**	430 963	564 983
Repayment of interest-bearing borrowings		**(861 497)**	(138 916)	(259 782)
Repayment on shareholders' loan		**479**	684	1 289
Payment lease liabilities (lessee)		**(241)**	(452)	(993)
Net cash from financing activities		**17 546**	40 246	53 465
Total cash movement for the period		**(1 183)**	1 320	(1 128)
Cash at the beginning of the period		**6 105**	7 233	7 233
Total cash and cash equivalents at the end of the period		**4 922**	8 553	6 105

SAFARI INVESTMENTS RSA LIMITED
CONDENSED CONSOLIDATED UNAUDITED INTERIM FINANCIAL RESULTS AND INTERIM DIVIDEND DISTRIBUTION DECLARATION
for the period ended 30 September 2020

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF **FINANCIAL POSITION** AND THE CONDENSED CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

1. It is the group's policy to have the investment property portfolio valued on an annual basis by an independent valuer. The most recent valuation was done on 31 March 2020 and the next valuation will be done on 31 March 2021. 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.

   The COVID-19 pandemic and prevailing macro-economic climate continues to cause some uncertainty regarding valuations. At the most recent valuation date in March 2020, the valuer had already considered that one can attach less weight to previous market evidence for comparison purposes and to inform opinions of value. Their valuations are therefore based on "material valuation uncertainty" as per VPS 3 and VPGA 10 of the RICS Red Book Global. The board remains aware of this level of uncertainty attached to the valuations and that valuation of the portfolio should be kept under frequent review, but has not yet resolved to make a calculated adjustment at this interim reporting date. Across the portfolio, recovery of rental income has already returned to near normal levels and there were no significant tenant failures during the lockdown period. The sensitivity analysis on the fair value of properties to a change in the capitalisation and discount rate assumptions has also proved helpful. The strategic focus of the company on investing in food-anchored shopping centres in mainly peri-urban areas is also playing a key role in the current defensive nature of the Safari portfolio and is giving confidence in the valuations.

2. The average lease terms are for three to 10 years and the average weighted contractual escalation in gross rental/m^2 was between 6% to 8% for the six months ending 30 September 2020.

3. As part of the Platz am Meer mixed-used development, Safari Investments Namibia Proprietary Limited developed 36 luxury seafront apartments and offices together with a shopping centre. The entire development has been incorporated into a sectional title scheme with 39 units consisting of 36 apartments registered in 36 separate close corporations, one office unit registered in a private company known as Platz am Meer Property One Proprietary Ltd and two commercial units being the ground- and first floor of the retail centre registered in the name of Safari Investments Namibia Proprietary Ltd. A proportionate allocation of the development cost of the land was transferred to these close corporations and private company. The person/s acquiring the apartments or office units will then acquire the membership or shares in the close corporation or private company respectively. Currently, Safari Investments Namibia Proprietary Limited holds 100% of the shares in the private company known as Platz am Meer Property One Proprietary Limited and through its nominee, Mr DC Engelbrecht, the chief executive officer, the membership in the unsold close corporations.

4. In the 2021 financial year, Safari intends to distribute a minimum of 75% of its taxable earnings to the shareholders as per the REIT requirements, and the shareholders will be liable for the tax on the profit distributed.

5. The trade and other receivables balance includes R9,1 million (2019: R4,7 million) of monthly rental debtors. The remainder of the trade and other receivables balance mainly relates to *ad hoc* billings such as turnover rental, electricity and water recoveries, deposits paid and prepaid expenses.

   Trade and other payables consist of deposits (tenants) held at current retail centres, income received in advance and accrued expenses.

6. The bulk of current and non-current liabilities relate to the facilities currently in place. The interest-bearing borrowings of R500 312 000 disclosed under current liabilities relate to Absa facilities which will mature during August 2021.

7. The September 2020 interim property revenue decreased by 7% compared to the September 2019 interim figure. This decrease is as a result of COVID-19 rental relief provided to tenants from April 2020 to September 2020.

8. The September 2020 interim property expenses as a percentage of property revenue was 27% compared to 23% in September 2019. COVID-19 rent relief granted during the reporting period is the main reason for the increase compared to the prior reporting period. We expect this figure to normalise during the remainder of the financial year.

9. The comparative amounts for September 2019 were reclassified and restated to present consistently with the current reporting period and relate to the proceeds and repayments on interest-bearing borrowings in the condensed consolidated statement of cash flows and the adoption of IFRS 16 in terms of right-of-use asset and lease liability which affected the total asset and total liability balances as at 30 September 2019 and also the total comprehensive income for the six months ending 30 September 2019.

The restatement of the comparative interim period for the six months ending 30 September 2019 has the following effect:

On the condensed consolidated statement of financial position:

- Total assets increased by R7 423 000 from R3 373 837 000 to R3 381 260 000.
- Retained income reduced by R251 000 from R414 892 000 to R414 641 000.
- Total liabilities increased by R7 674 000 from R1 132 076 000 to R1 139 750 000.

On the condensed consolidated statement of profit or loss and other comprehensive income:

- Total comprehensive income for the period reduced by R251 000 from R72 246 000 to R71 995 000.

On the condensed consolidated statement of changes in equity:

- Total comprehensive income for the period 1 April 2019 to 30 September 2019 decreased by R251 000 from R72 246 000 to R71 995 000.
- The retained income balance as at 30 September 2019 reduced by R251 000 from R414 892 000 to R414 641 000.

The comparative amounts for the corresponding six-month period in the prior year relating to the proceeds and repayments of interest-bearing borrowings on the condensed consolidated statement of cash flows have been reclassified to present consistently with the current year, effectively removing interest paid from the repayment of interest-bearing borrowings.

CONDENSED CONSOLIDATED **SEGMENTAL REPORT**

for the period ended 30 September 2020

	Atteridgeville R'000	Mamelodi R'000	Sebokeng R'000	Heidelberg R'000	Limpopo R'000	Namibia R'000	Recon-ciliation R'000	Total R'000
30 September 2020								
Turnover (external)	50 223	36 337	32 807	7 864	11 371	12 352	2 395	153 349
Reportable segment profit before investment revenue, fair value adjustments and finance costs	41 320	28 753	23 034	5 598	6 855	8 248	–	113 808
Unallocated reportable segment profit before investment revenue, fair value adjustments and finance costs	–	–	–	–	–	–	(15 012)	(15 012)
Profit before investment revenue, fair value adjustments and finance costs	41 320	28 753	23 034	5 598	6 855	8 248	(15 012)	98 796
Segment assets and liabilities								
Segment assets	1 056 714	799 883	564 159	163 158	228 060	405 113	–	3 217 087
Unallocated assets	–	–	–	–	–	–	160 696	160 696
Total assets	1 056 714	799 883	564 159	163 158	228 060	405 113	160 696	3 377 783
Segment liabilities	19 822	19 587	17 565	4 025	5 553	2 076	–	68 628
Unallocated liabilities	–	–	–	–	–	–	44 047	44 047
Interest-bearing borrowings	–	–	–	–	–	–	1 324 968	1 324 968
Total liabilities	19 822	19 587	17 565	4 025	5 553	2 076	1 369 015	1 437 643
Other segment items								
Interest revenue (external)	40	18	22	24	35	26	–	165
Unallocated interest revenue	–	–	–	–	–	–	1 993	1 993
Investment revenue	40	18	22	24	35	26	1 993	2 158
Fair value adjustments	–	–	–	–	–	–	–	–
Interest expense	–	–	–	–	–	–	–	–
Unallocated interest expense	–	–	–	–	18	–	48 698	48 716
Finance costs	–	–	–	–	–	–	48 698	48 716

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CONDENSED CONSOLIDATED **SEGMENTAL REPORT**

for the period ended 30 September 2019

Restated*	Atteridgeville R'000	Mamelodi R'000	Sebokeng R'000	Heidelberg R'000	Limpopo R'000	Namibia R'000	Recon-ciliation R'000	Total R'000
30 September 2019								
Turnover (external)	56 000	40 928	35 147	8 993	14 476	15 068	2165	172 777
Reportable segment profit before investment revenue, fair value adjustments and finance costs	48 608	35 779	25 093	6 295	10 944	10 866	–	137 585
Unallocated reportable segment profit before investment revenue, fair value adjustments and finance costs	–	–	–	–	–	–	(14 802)	(14 802)
Profit before investment revenue, fair value adjustments and finance costs	48 608	35 779	25 093	6 295	10 944	10 866	(14 802)	122 783
Segment assets	1 046 168	790 895	532 700	171 735	211 682	445 178	–	3 198 358
Unallocated assets	–	–	–	–	–	–	182 902	182 902
Total assets	1 046 168	790 895	532 700	171 735	211 682	445 178	182 902	3 381 260
Segment liabilities	6 708	3 771	5 102	384	3 882	3 556	–	23 403
Unallocated liabilities	–	–	–	–	–	–	39 020	39 020
Interest-bearing borrowings	–	–	–	–	–	–	1 077 327	1 077 327
Total liabilities	6 708	3 771	5 102	384	3 882	3 556	1 116 347	1 139 750
Other segment items								
Interest revenue (external)	–	–	–	–	–	151	–	151
Unallocated interest revenue	–	–	–	–	–	–	2 751	2 751
Investment revenue	–	–	–	–	–	151	2 751	2 902
Fair value adjustments	–	–	–	–	–	–	–	–
Interest expense	–	–	–	–	–	–	–	–
Unallocated interest expense	–	–	–	–	–	–	42 003	42 003
Finance costs	–	–	–	–	–	–	42 003	42 003

** Right-of-use asset and lease liability as at 30 September 2019 have been included in the comparative six-month period ending 30 September 2019. There was also a reallocation between asset categories of cash balances for the comparative six-month period ending 30 September 2019.*

NOTES TO THE **FINANCIAL STATEMENTS**

for the period ended 30 September 2020

1. Earnings per share

	Unaudited Six months ended 30 September 2020	Unaudited Six months ended 30 September 2019	Audited Year ended 31 March 2020
Earnings used in the calculation of basic earnings per share (profit after tax) (R'000)	**14 699**	71 995	107 662
Ordinary shares in issue at year-end ('000)	**257 826**	257 826	257 826
Weighted average number of ordinary shares ('000)	**257 826**	257 826	257 826
Headline earnings (R'000)	**14 699**	71 995	91 185
Diluted weighted average number of shares ('000)	**257 826**	310 826	257 826
Basic earnings per share (cents)	**5,70**	27,92	41,76
Diluted earnings per share (cents)	**5,70**	23,16	41,76
Basic headline earnings per share (cents)	**5,70**	27,92	35,37
Diluted headline earnings per share (cents)	**5,70**	23,16	35,37
Headline earnings reconciliation			
Basic earnings (profit after tax) (R'000)	**14 699**	71 995	107 662
Gains and losses from the adjustment to the fair value of non-current assets (R'000)	**–**	–	(16 477)
	14 699	71 995	91 185

2. Related parties

Relationships

Subsidiaries	Safari Investments Namibia Proprietary Limited (100% owned)
Common directorship/trusteeship/membership	Wealthgate Investments 45 Proprietary Limited
	Safari Developments Pretoria Proprietary Limited
	Safari Developments Swakopmund Proprietary Limited
	Safarihold Proprietary Limited
Close corporations controlled by common director	MDM Architects CC

2. Related parties continued

	Unaudited Six months ended 30 September 2020 R'000	Unaudited Six months ended 30 September 2019 R'000	Audited Year ended 31 March 2020 R'000
Related party transactions			
Wealthgate Investments 45 Proprietary Limited	**725**	861	1 548
Safari Developments Pretoria Proprietary Limited	**–**	30 932	43 549
Safari Developments Swakopmund Proprietary Limited	**–**	2 748	2 748
Safarihold Proprietary Limited	**–**	343	494
Close corporations controlled by common director			
MDM Architects CC	**–**	365	458

3. Net asset value ("NAV") per share

	Unaudited Six months ended 30 September 2020	Unaudited Six months ended 30 September 2019	Audited Year ended 31 March 2020
Total assets (R'000)	**3 377 783**	3 381 260	3 372 719
Total liabilities (R'000)	**(1 437 643)**	(1 139 750)	(1 390 556)
	1 940 140	2 241 510	1 982 163
Ordinary shares in issue for NAV calculation ('000)	**257 826**	310 826	257 827
NAV per share (cents)	**753**	721	769
Tangible NAV (cents)	**753**	721	769

SAFARI INVESTMENTS RSA LIMITED
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NOTES TO THE CONDENSED CONSOLIDATED **UNAUDITED FINANCIAL STATEMENTS**

Basis of preparation

The preparation of the group's interi financial results for the six months ende 30 September 2020 was the responsibility of the chief financial officer, Mr WL Venter, executed by the financial manager, Mr T Pothraju but have not been audited nor reviewed by the group's auditor, BDO South Africa Incorporated. The condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards, IAS 34 *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, and the requirements of the Companies Act of South Africa 71 of 2008. The accounting policies applied in the preparation of these interim financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the previous consolidated annual financial statements.

The second edition of the SA REIT Association's best practice recommendations ("BPR") was published in November 2019 encouraging consistent presentation and disclosure of relevant metrics in the SA REIT sector. We support this aim to enhance transparency and comparability and with the new BPR being effective for our financial year ending 31 March 2021, we have included these metrics for the six months ended 30 September 2020. Refer to "Annexure 1".

Financial statements

The condensed consolidated interim financial statements were approved by the board of directors on 18 November 2020.

Events during and subsequent to the reporting period

Events during the financial period

Shareholders are referred to SENS announcements published on 9 April 2020 and 10 June 2020 providing updates on COVID-19. Shareholders are also referred to the "board commentary" section for a further update on the impact of COVID-19 and future prospects.

Shareholders are referred to the SENS announcement published on 4 May 2020 relating to the Southern Palace transaction. On 6 May 2020, Safari settled the outstanding Sanlam loan balance. As discussed at the annual general meeting on 14 September 2020, the board will present the matter to shareholders in due course in order to buy back and cancel the 53 million Safari shares currently held by Southern Palace.

Shareholders are referred to the SENS announcement published on 18 June 2020 relating to engagements with Heriot REIT Limited.

Mr Slabber and Mr Swanepoel stepped down as independent non-executive directors with effect from 21 June 2020. Mr AE Wentzel assumed the chairmanship of the board on an interim basis, pending appointment of further directors to the board.

At the board meeting held on 3 July 2020, a cash distribution of 22 cents per Safari share was approved and was paid to shareholders during August 2020.

Mr GJ Heron and Mr PA Pienaar were appointed as independent non-executive directors with effect from 17 July 2020.

Mr AE Wentzel, Mr K Pashiou and Dr M Minnaar resigned with effect from 14 September 2020.

Mr GJ Heron assumed the chairmanship on 14 September 2020.

Ms FN Khanyile stepped down as a non-executive director of the board with effect from 15 September 2020 and Mr C Roberts stepped down as a non-executive director of the board with effect from 17 September 2020. Mr M Muller and Ms T Matshoba-Ramuedzisi were appointed as independent non-executive directors with effect from 14 September 2020.

At the annual general meeting held on 14 September 2020, all resolutions were passed save for ordinary resolutions numbers 5 and 13 and special resolutions 1, 2 and 4, which failed. Shareholders are advised that by the date of this report, Safari had engaged with shareholders who voted against ordinary resolution 10 being the non-binding advisory vote on the company's remuneration policy and implementation report and concerns raised will be addressed. Furthermore, BDO South Africa Incorporated was appointed as the external auditor of Safari. Shareholders are referred to the SENS announcement published on 15 September 2020 for further details in this regard.

Events subsequent to the financial period

At the board meeting held on 18 November 2020, the board of directors of Safari approved a gross cash interim distribution of 17 cents per ordinary share to be paid during December 2020, subject to adherence to the solvency and liquidity requirements as stated in the Companies Act 71 of 2008.

SAFARI INVESTMENTS RSA LIMITED
CONDENSED CONSOLIDATED UNAUDITED INTERIM FINANCIAL RESULTS AND INTERIM DIVIDEND DISTRIBUTION DECLARATION
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BOARD **COMMENTARY**

Profile

Safari Investments RSA Limited ("Safari"), with a total asset base of R3,4 billion, is a retail-focused Real Estate Investment Trust ("REIT") listed on the Johannesburg Stock Exchange Limited ("JSE") main board under the property section.

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

Property portfolio

The property portfolio includes eight established income-generating retail centres, of which three are serving as regionals in their areas. These include Denlyn in Mamelodi, Pretoria (GLA 34 512m^2); Atlyn (GLA 31 239m^2), Mnandi (GLA 8 717m^2) and Nkomo Village (GLA 19 312m^2) in Atteridgeville, Pretoria; Thabong (GLA 34 539m^2) in Sebokeng, Johannesburg; The Victorian (GLA 11 781m^2) in Heidelberg; Thornhill (GLA 12 390m^2) in Polokwane and Platz am Meer (GLA 21 280m^2) in Swakopmund, Namibia. Safari also owns a private day hospital (GLA 1 379m^2) in Soweto with Advanced Health Limited as its tenant. Safari invests in solar panels at several of its retail centres including Denlyn, Atlyn, Mnandi, Thornhill and Platz am Meer. During 2016, Safari also acquired six properties situated in Lynnwood, Pretoria, with an aggregate land size of 1,3 hectares. There are residential units on some of these properties for which occupation rent is charged.

Property held for new development opportunities or for the expansion of existing nodes include the following:

Bulk reserve (retail and other):

Thabong	± 10 000m²
Platz am Meer	± 10 000m²
Nkomo Village	± 20 000m²
Lynnwood	± 13 000m²

Letting activity

Safari's vacancy factor in its portfolio as at 30 September 2020 was 3% (2019: 3%) of the total income-generating space. Due to COVID-19 rental relief granted to tenants during the reporting period, the weighted average gross rental (including municipal recoveries) achieved per square metre of GLA decreased by 8,06% for the portfolio (compared to the same period in the prior year) while the South African property portfolio showed a 6,71% decrease.

Current projects

Refurbishment of the Victorian Shopping Centre

The Victorian has been trading for over 20 years with immense loyalty from the Heidelberg community and it became clear that a refurbishment is opportune. Reconfiguration of the ground floor is planned in order to enhance the tenant mix together with a completely new brand and image of the centre. The board approved the redevelopment project subject to certain conditions precedent being met such as achievement of pre-letting targets and securing the required financing.

Spar addition at Denlyn Shopping Centre

A key aspect at Denlyn was the need to enhance the complementary offering of the centre, especially for higher LSM consumers. The addition of Spar as a second food anchor is underway to fulfil this need and should strengthen the Denlyn node in Mamelodi and increase footfall.

Solar power systems

With solar power systems operating so efficiently on our large roofed buildings, it became a priority to expand the existing solar systems to 1 MVA capacity where feasible. Expansion of the system at Atlyn is already underway while planning is on track to complete similar expansions at Nkomo Village, Mnandi and Denlyn. A new solar system is also installed at The Victorian and planning for a new system at Thabong is underway with an application for the required approval from Eskom.

COVID-19

Impact on the company

The board is monitoring the impact of COVID-19 and remains in contact with all stakeholders to mitigate the risks that the pandemic poses to the industry. Both our South African and Namibian assets were impacted by the forced closure of non-essential retail tenants during the hard lockdown. For the six-month period under review, Safari provided rental relief of R23,4 million to tenants with a further R1,5 million in deferred rent. This clearly had an impact on the performance of the company where we saw earnings per share decrease compared to the same period last year and a decrease in funds from operations compared to last year (refer to annexure 1). It is worth noting that the entire current reporting period (April 2020 to September 2020) was affected by the various levels of lockdown imposed by government since 26 March 2020.

The board remains aware that the valuer attached a level of uncertainty to the property valuations due to the impact of the pandemic, and that valuation of the portfolio should be kept under frequent review. The board has, however, not yet resolved to make a calculated adjustment at this interim reporting date. Across the portfolio, recovery of rental income has already returned to near normal levels and there were no significant tenant failures during the lockdown period. Under the circumstances of the global pandemic, the strategic focus of the company on investing in food-anchored shopping centres in mainly peri-urban areas is playing a key role in the defensive nature of the portfolio and this adds to confidence in the valuations.

Future prospects

It remains too early to quantify the ongoing effects of the pandemic on our operations but we remain confident that the portfolio is defensive and resilient. The board is evaluating all options available to ensure liquidity and balance sheet strength in the short term. The company instituted a claim for loss of income as a result of business interruption caused by COVID-19 and the lockdown measurements imposed by government.

Even though it is difficult at this point to provide guidance on expected distributable earnings per share and/or funds from operations for the full 2021 financial year, we are confident that the remaining six months of the 2021 financial year will see significantly better results.

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 interim financial statements have been prepared on a going concern basis. The group is in sound financial position and has access to sufficient borrowing facilities to meet its foreseeable cash requirements for operational activities and capital commitments. The directors will continue to closely monitor the impact of COVID-19 and its possible effect on the ability of the company to continue its operations as a going concern.

Financial performance

Headline earnings decreased from R72 million to R14,7 million compared to the same period for the previous year. While COVID-19 rent relief granted during the reporting period had a negative impact on earnings, a major contributor to the reduced earnings per share were the significant interest rate cuts during the reporting period which resulted in a notable fair value loss on hedging instruments directly through profit or loss.

Property revenue decreased by 7% and distributable income decreased by 35% compared to the same period for the previous year.

Net operating income decreased by 16,5% for the six months ending 30 September 2020 compared to the same six months in the previous financial year.

Funding

Safari currently has secured loan facilities totalling R1,4 billion. As at 30 September 2020, the interest bearing debt represents 41% of the total value of property assets and the all-in weighted average cost of debt is 7,49% (refer to annexure 1 for further detail). As at 30 September 2020, 49% of Safari's debt is hedged by way of interest rate swaps.

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BOARD COMMENTARY continued

Credit rating

During September 2020, Safari received its sixth credit rating from Global Credit Rating Co. ("GCR"). GCR has revised the outlook on Safari's BBB(ZA) issuer rating to negative on elevated sector risks. The short-term national scale rating remained at A3(ZA).

Distributable earnings

	Unaudited Six months ended 30 September 2020 R'000	Unaudited Six months ended 30 September 2019 R'000	Audited Year ended 31 March 2020 R'000
Revenue (including recoveries)	**155 921**	174 416	350 888
Less: Lease smoothing effect	**(5 952)**	(13 622)	(24 656)
Less: Expenses	**(57 125)**	(51 677)	(114 831)
Less: Net interest	**(46 558)**	(38 806)	(85 390)
Interest income	**2 158**	2 902	5 605
Interest expense	**(48 716)**	(41 708)	(90 995)
Plus: Transaction costs expensed	**1 930**	3 958	13 924
Distributable earnings	**48 216**	74 269	139 935
Number of shares	**257 826 016**	310 826 016	257 826 016
Distributable income per share (cents)	**19**	24	49
Distribution per share declared (cents)	**17**	24	46
Percentage of distributable income declared	**90%**	100%	94%

The six-month period under review (1 April 2020 to 30 September 2020) has been impacted by the full extent of the COVID-19 lockdown regulations instituted on 26 March 2020. The effect of lockdown and subsequent rent relief granted by Safari and reduced turnover rental is clear in the 7% reduction in property income compared to the same six months in the prior year. Expenses for the six months ending 30 September 2020 were also 10,5% higher than the expenses for the same period in the prior year. The increase in expenses was mainly as a result of the following:

- Additional expenses relating to increased cleaning costs due to COVID-19 health regulations;
- We saw a significant increase in municipal rates and taxes during the current six-month period at two retail centres which resulted in the municipal rates and taxes expense for the six-month period ending 30 September 2020 being R3,8 million (46% higher) than the municipal rates and taxes expense for the comparative prior year period;
- Once-off fees to implement new finance facilities during August 2020;
- The interest expense for the current six-month period was R7 million higher than the interest expense for the comparative six-month period in the prior year. This is as a result of the final settlement payment Safari made on 6 May 2020 on the Sanlam facility for the Southern Palace transaction.

We expect these metrics to improve significantly during the remaining six months of the 2021 financial year with the impact of current lockdown regulations being much less severe compared to the first six months of the 2021 financial year. Almost all of our tenants are fully operational and back to normal turnover figures and rental payments except for health clubs (gyms) and sport betting facilities where we expect further relaxation on the restrictions currently applicable to them in the near future.

Even though it is at this point still difficult to provide guidance with certainty on expected distributable income for the full 2021 financial year, we are confident that, based on current forecasts and information available, and on the assumption of normalised trading conditions, we will see distributable income per share landing on a level of between 4% and 8% lower than the 2020 distributable income per share if we are unsuccessful with the business interruption insurance claim currently still in process. If we are successful with the business interruption insurance claim, we expect an increase on the distributable income per share of between 5% and 10% for the 2021 financial year compared to the prior year. Note that the aforementioned is based on a distributable income per share calculated on the reduced number of shares of 257 827 016 for the 2021 financial year. This forecast is the responsibility of the board of directors of Safari and has not been reviewed or reported on by the auditor.

INTERIM DIVIDEND **DISTRIBUTION DECLARATION**

Shareholders are advised that, after careful consideration and adherence to the solvency and liquidity requirements as stated in the Companies Act 71 of 2008, the board of directors of Safari has approved and declared a gross cash interim dividend distribution of 17 cents per ordinary share for the period ended 30 September 2020 to be paid during December 2020. Shareholders will not be able to elect to reinvest the cash distribution in return for ordinary shares. The distribution is based on revenue as per the disclosed distribution statement.

Salient dates and times

The following salient dates and times are applicable to the interim distribution:

Declaration date	Monday, 23 November 2020
Last day to trade cum dividend	Tuesday, 8 December 2020
Trading ex-dividend commences	Wednesday, 9 December 2020
Record date	Friday, 11 December 2020
Date of payment	Monday, 14 December 2020

Notes

Shares may not be dematerialised or rematerialised between the commencement of trade on Wednesday, 9 December 2020 and the close of trade on Friday, 11 December 2020, both days inclusive.

In terms of REIT legislation, at least 75% of the distributable earnings must be distributed in every financial year. The total distribution for the financial year consists of this interim cash dividend distribution of 17 cents per share to be paid in December 2020 and a final cash dividend distribution to be declared after the financial year-end.

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, 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.

Atlyn

Denlyn

Mnandi

Thabong

The Victorian

Tax implications for South African resident shareholders

If resident shareholders have not submitted the above-mentioned 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 13,6 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 ceases 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 above-mentioned 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 (including 53 million Safari shares held by Southern Palace) ordinary shares of no par value as at the declaration date.

Platz am Meer

Soweto Day Hospital

Nkomo Village

Thornhill

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ANNEXURE 1: **SA REIT DISCLOSURE**

The principles encompassed in the calculations in this annexure are aligned with the Best Practice Recommendations by the SA REIT Association published in 2019.

SA REIT funds from operations ("FFO")

	Six months ended 30 September 2020 R'000	Six months ended 30 September 2019 R'000
Profit or (loss) for the period	**14 699**	71 995
Adjusted for:		
Accounting/specific adjustments		
Fair value adjustment to investment property	**–**	–
Deferred tax movement recognised in profit or loss	**5 043**	5 701
Straight-lining operating lease adjustment	**(5 952)**	(13 622)
Transaction costs expensed in accounting for a business combination	**1 930**	3 958
Adjustments arising from investment activities		
Gains/losses on disposal of inventory (in relation to gross margin earned)	**–**	–
Foreign exchange and hedging items		
Fair value adjustments on derivative financial instruments employed solely for hedging purposes	**32 496**	5 986
SA REIT FFO	**48 216**	74 018
Number of shares outstanding at the end of the period (2020 figure excludes Southern Palace "treasury" shares)	**257 826 016**	310 826 016
SA REIT FFO per share (cents)	**19**	24

SA REIT cost-to-income ratio

	Six months ended 30 September 2020 R'000	Six months ended 30 September 2019 R'000
Expenses		
Operating expenses per IFRS income statement (includes municipal expenses and administrative expenses)	**57 125**	51 633
Exclude:		
Depreciation expense in relation to property, plant and equipment of an administrative nature	**(115)**	(92)
Operating costs	**57 010**	51 541
Rental income		
Contractual rental income and utility and operating recoveries per IFRS income statement (excluding straight-lining)	**147 397**	159 155
Gross rental income	**147 397**	159 155
SA REIT cost-to-income ratio	**39%**	32%

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ANNEXURE 1: SA REIT DISCLOSURE continued

SA REIT administrative cost-to-income ratio

	Six months ended 30 September 2020 R'000	Six months ended 30 September 2019 R'000
Expenses		
Administrative expenses as per IFRS income statement	17 408	16 965
Administrative costs	**17 408**	16 965
Rental income		
Contractual rental income and utility and operating recoveries per IFRS income statement (excluding straight-lining)	147 397	159 155
Gross rental income	**147 397**	159 155
SA REIT administrative cost-to-income ratio	**12%**	11%

SA REIT gross lettable area ("GLA") vacancy rate

	Six months ended 30 September 2020	Six months ended 30 September 2019
GLA of vacant areas (m^2)	5 331	4 577
GLA of property portfolio (m^2)	175 149	174 733
SA REIT GLA vacancy rate	**3%**	3%

SA REIT cost of debt

	Three month JIBAR linked loans %	Prime linked loans %	Weighted combined SA REIT cost of debt %
Variable interest rate borrowings			
Floating reference rate plus weighted average margin	5,32	5,94	5,58
Fixed interest rate borrowings			
Weighted average fixed rate	–	–	–
Pre-adjusted weighted average cost of debt	5,32	5,94	5,58
Adjustments:			
Impact of interest rate derivatives	2,60	0,75	1,80
Amortised transaction costs imputed into the effective interest rate	0,15	0,05	0,11
All-in weighted average cost of debt	8,07	6,73	7,49

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ANNEXURE 1:
SA REIT DISCLOSURE continued

SA REIT loan-to-value ("LTV")

	Six months ended 30 September 2020 R'000	Six months ended 30 September 2019 R'000
Gross debt	**1 324 968**	1 077 327
Less:		
Cash and cash equivalents (including short-term deposits)	**(4 922)**	(8 552)
Add:		
Derivative financial instruments	**58 175**	8 093
Net debt	**1 378 221**	1 076 868
Total assets – per statement of financial position	**3 377 783**	3 381 260
Less:		
Cash and cash equivalents (including short-term deposits)	**(4 922)**	(8 552)
Derivative financial assets	**–**	–
Trade and other receivables	**(17 795)**	(10 543)
Carrying amount of property-related assets	**3 355 066**	3 362 165
SA REIT LTV	**41%**	32%

SA REIT net asset value ("NAV")

	Six months ended 30 September 2020 R'000	Six months ended 30 September 2019 R'000
Reported NAV	**1 940 140**	2 241 510
Adjusted for:		
Dividend to be declared	**(43 830)**	(74 598)
Fair value of derivative financial instruments	**58 175**	8 098
Deferred tax	**(70)**	(1 232)
SA REIT NAV	**1 954 415**	2 173 778
Number of shares outstanding at the end of the period (2020 excludes Southern Palace "treasury" shares)	**257 826 016**	310 826 016
SA REIT NAV per share (Rand per share)	**7,58**	6,99

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)
Income tax reference number: 9012/264/14/0

Registered address and place of business

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Email: info@safari-investments.com
Website: www.safari-investments.com

Auditor

BDO South Africa Incorporated

Partner: PR Badrick
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Commercial banker

Absa Bank Limited

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Absa Towers East
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PO Box 7735, Johannesburg 2000

Group company secretary

Pieter van Niekerk LLB

410 Lynnwood Road, Lynnwood, Pretoria
Postal: PO Box 36792, Menlopark, Pretoria 0102

Board of directors

DC Engelbrecht *(Chief executive officer)*
WL Venter *(Chief financial officer)*
GJ Heron *(Independent non-executive)* – appointed 17 July 2020
T Matshoba-Ramuedzisi *(Lead independent non-executive)* – appointed 14 September 2020
M Muller *(Independent non-executive)* – appointed 14 September 2020
PA Pienaar *(Independent non-executive)* – appointed 17 July 2020
K Pashiou *(Executive)* – resigned 14 September 2020
FN Khanyile *(Independent non-executive)* – resigned 15 September 2020
M Minnaar *(Independent non-executive)* – resigned 14 September 2020
CR Roberts *(Independent non-executive)* – resigned 17 September 2020
AE Wentzel *(Lead independent non-executive)* – resigned 14 September 2020

Independent valuer

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PO Box 7403, Stellenbosch 7599

Transfer secretaries

Computershare Investor Services Proprietary Limited

(Registration number: 2004/003647)
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Key contacts

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Or alternatively

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SAFARI INVESTMENTS RSA LTD

Visit our investor relations link on our website for more information and financial updates, profiles and news.

www.safari-investments.com/investor-relations/