SA CORPORATE
REAL ESTATE

INDUSTRIAL . RETAIL . OFFICE . RESIDENTIAL . REST OF AFRICA

SUMMARISED AUDITED CONSOLIDATED FINANCIAL RESULTS

for the year ended 31 December 2019
and cash dividend declaration

OVERVIEW

Final distribution

Annual distribution of **38.04cps** (2018: 42.22cps), a decline of **9.9%**

Total distributable income of **R960,0m** (2018: R1 068,2m)

Capital structure

R4,6bn of debt refinanced at a weighted average margin of 1.77% above 3-month JIBAR

Loan to value ratio of **37.9%** (2018: 34.6%)

Weighted average cost of funding of **8.15%** exclusive of swaps and **8.47%** inclusive

Weighted average maturity of debt of **2.9 years**

Effective fixed debt of **72.4%** with a weighted average tenor of **3.4** years

Property activity

Contracted and executed acquisitions of **R359,5m** (2019 transferred: R120,6m; R238,9m contracted and paid)

Contracted and executed disposals of **R834,4m** (2019 transferred: R427,7m; 2019 contracted: R177,0m; 2020 contracted: R229,7m)

Completed developments of **R322,3m**

Independently valued property portfolio of **R17,37bn** (2018: R17,44bn)

Portfolio performance

Total net property income of **R1,35bn** (2018: R1,43bn)

Total like-for-like net property income declined by **1.5%** to **R944,6m** (2018: R959,2m)

Traditional portfolio vacancies of **4.2%** of GLA (2018: 2.1%)

COMMENTARY

INTRODUCTION

SA Corporate Real Estate Limited is a JSE-listed Real Estate Investment Trust ("REIT") which owns a diversified portfolio of quality industrial, retail, commercial and residential buildings located primarily in the major metropolitan areas of South Africa with a secondary node in Zambia. The property portfolio consists of 193 properties, with 1 627 236m² of lettable area, valued at R17,4bn, and a 50% joint venture in 3 Zambian properties valued at R930,6m.

STRATEGIC FOCUS

Our vision is to produce sustainable distribution growth and long-term capital appreciation for investors, through investment in a well-diversified and balanced property portfolio within an optimal financial structure. To realise our vision and establish a platform for sustainable growth, our strategy is to utilise asset management interventions to continuously augment the quality of our portfolio of properties. In the medium term, we aim to concentrate our retail portfolio on defensive convenience offerings, to consolidate a quality industrial property portfolio, to divest from remaining commercial properties and to establish a quality residential rental portfolio.

BASIS OF PREPARATION

The preliminary summarised audited consolidated financial results have been prepared in accordance with the requirements of the JSE Limited Listings Requirements and the Companies Act, No 71 of 2008. The 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 SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, and to also, as a minimum, contain the information required by IAS 34: Interim Financial Reporting. The accounting policies applied in the preparation of the consolidated financial statements, from which the summarised consolidated financial results were derived, are in terms of IFRS and are consistent with the accounting policies applied in the preparation of the prior year consolidated financial statements, except for the adoption of the revised Standards and Interpretations. In the current year, the Group has adopted all of the revised Standards and Interpretations issued that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2019. The adoption of these Standards and Interpretations has not resulted in any adjustment to the amounts previously reported for the year ended 31 December 2018. Refer to note 4 for the impact of the introduction of IFRS 16 on the Group's financial statements for the year ended 31 December 2019. This report and the consolidated financial statements were compiled under the supervision of AM Basson CA(SA), the Chief Financial Officer.

The auditors, Deloitte & Touche, have issued a modified auditor's report on the consolidated financial statements for the year ended 31 December 2019 as it pertains to the reportable irregularity described in note 8. A copy of their audit report and the financial statements are available for inspection on the Company's website and at the Group's registered address. The audit was conducted in accordance with International Standards on Auditing. These preliminary summarised consolidated financial results have been derived from the consolidated financial statements and are consistent, in all material respects, with the consolidated financial statements. The summarised results have been audited by Deloitte & Touche and an unmodified audit opinion has been issued. The auditor's report does not necessarily report on all of the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of that report together with the accompanying financial information from SA Corporate's registered address or on the Company's website. Any reference to future financial performance or prospects included in this announcement has not been reviewed or reported on by the Group's auditors.

DISTRIBUTABLE INCOME

Distributable income for the year was R960,0m (2018: R1 068,2m). Total distribution per share for the year amounted to 38.04cps, down 9.9% relative to 42.22cps in the prior year. The distribution has been substantially impacted by negative rental reversions, increased vacancies and administered costs and an increase in the provision for expected credit loss and bad debts from tenant failures, as tenants feel the impact of the challenging economic environment.

NET PROPERTY INCOME

Total property revenue amounts to R2 283,9m (2018: R2 309,5m) with the like-for-like portfolio amounting to R1 542,4m (2018: R1 519,8m).

In respect of the traditional portfolio, tenant retentions of 74.0% were achieved at a weighted average negative reversion of 3.0%. In-force lease escalations reduced by 0.2% to 7.5% and overall vacancies increased by 2.1%.

The Afhco portfolio residential rentals increased by 3.9% (2018: 4.0%) and Afhco retail rentals escalated by 8.5% (2018: 8.9%). 59.5% of the inner-city retail leases that expired during the year were retained at a weighted average negative reversion of 2.2%.

Property expenses increased by 6.9% on a like-for-like basis. The increase of 10.4% in total property expenses to R919,2m (2018: R832,5m) was largely due to increased municipal expenses representing 58.2% (2018: 57.3%) of total expenses. The ratio of property expenses to revenue increased to 40.2% (2018: 36.0%). The Group continues to be focused on cost containment. The latter has been supported by our roll-out of PV solar installations, having a generating capacity of 10.5MW at year-end, which have decreased our electricity consumption expense and reduced peak demand.

Net property income ("NPI") decreased by 5.6% (R80,3m), with the like-for-like portfolio decreasing by 1.5%.

Afhco total NPI grew by 6.8% with that for the like-for-like portfolio increasing by 1.8%. Residential rental increases were offset by an increase of average annual vacancies from 5.8% in the prior year to 7.3% and increases in arrears. The latter was impacted by the Q4 xenophobic-related violence.

Retail like-for-like NPI increased by 1.4% due to increased administered costs, lease renewal rental reversions of negative 5.4%, vacancies increasing to 4.4% (2018: 4.1%) and increased arrears.

Industrial like-for-like NPI retracted by 4.0% resulting from substantial negative reversions relating to historical long leases of 13.5% of GLA and vacancies increasing to 3.2% (2018: 0.6%).

The distribution from the Zambian Joint Venture ("JV") was R73,8m (2018: R61,7m), increasing by 19.6% over the prior year.

NET FINANCE COST

Net finance cost, excluding the impact of IFRS 16, increased by 10.1%. This is as a result of:

- an increase in debt of R574m from December 2018, due to increased investment activity.
- R4,6bn of short dated debt refinanced during the current year in favour of longer dated debt, at a weighted average marginal rate of 1.766% above the 3-month JIBAR (2018: 1.774%).

The increase in net finance cost was offset by favourable interest rate and cross-currency swap derivatives.

PROPERTY VALUATIONS

The Group's independently valued property portfolio, which excludes the 3 Zambian properties, decreased by R66,5m (-0.4%) to R17,37bn (2018: R17,44bn). The like-for-like portfolio held for the full 12 months to December 2019 reduced by R109,6m (-1.0%) from December 2018. This constitutes R131,7m of capital expenditure with a reduction in fair value of R241,3m.

Capitalisation and discount rates used in property valuations have been reviewed to reflect worsening market conditions. These have in particular widened in respect of certain small regional and super regional shopping centres where increases of 0.25bps in December 2018 were followed by a further increase of 0.50bps in the December 2019 valuation. These widening of capitalisation and discount rates reflect the deterioration of retail trading conditions in larger shopping centres. The valuation of the industrial portfolio has been impacted upon by negative rental reversions and the decrease in commercial office valuations is indicative of the challenges faced by this sector. The increase in the Afhco valuation represents the sustainable net income increases anticipated from this portfolio, where capitalisation rates that are higher than traditional property sectors remain static.

Property valuations as at 31 December 2019 are based on independent external valuations performed by Quadrant Properties Proprietary Limited.

The net asset value ("NAV") per share decreased by 6.1% from 508cps to 477cps as set out in the table below:

NAV analysis	CPS
Opening balance January 2019	**508**
December 2018 distribution	**(21)**
December 2019 distribution	**18**
Revaluation of properties	**(22)**
Revaluation of swaps	**(3)**
Foreign exchange adjustment on Zambian JV	**(3)**
Share repurchase	**(2)**
Other	**2**
Closing balance December 2019	**477**

PROPERTY PORTFOLIO

Having curtailed the Group's acquisition pipeline as a consequence of its increased cost of capital, R120,6m of investment property, all in the residential sector, was acquired and transferred in 2019. Residential developments of R225,1m were completed and R97,2m was invested in retail properties. The latter includes the introduction of Food Lover's Market at Morning Glen and Decathlon at East Point.

Eight properties, four in the industrial sector, three in the commercial sector and one in the residential sector were transferred of at a gross selling price of R427,7m, sold at a profit to book value of R19,8m at the contract date. These disposals are aligned to our strategy of divesting from non-logistics, poorer quality industrial properties and exiting the commercial sector in favour of a more focused property portfolio. A further R406,7m of disposals were contracted above book value, R229,7m of which were subsequent to year-end.

VACANCIES

	Vacancies as % of GLA*			Vacancies as % of rental income		
Sector	**31 Dec 2019**	31 Dec 2018	31 Dec 2017	**31 Dec 2019**	31 Dec 2018	31 Dec 2017
Traditional portfolio						
Industrial	**3.2**	0.6	1.5	**2.5**	0.4	1.0
Retail[1]	**4.4**	4.1	3.1	**4.0**	4.2	3.0
Commercial	**16.0**	6.2	6.4	**13.8**	5.5	6.0
Traditional portfolio total	**4.2**	2.1	2.3	**4.1**	2.9	2.4
Afhco portfolio						
Retail/commercial	**4.1**	4.8	2.1	**3.0**	3.3	1.7
Residential[2]	**8.2**	13.4	7.3	**8.4**	16.4	9.2
Rest of Africa portfolio						
Retail	**4.6**	2.7	2.7	**4.3**	1.8	1.7
Commercial	**4.5**	1.1	10.7	**11.9**	1.0	8.0
Rest of Africa portfolio total	**4.6**	2.3	4.3	**4.9**	1.6	3.0

** GLA = Gross lettable area.*
1. Excludes storage as the table reflects vacancies for significant sectors.
2. Vacancy calculated on number of units and reflects tenanting up of newly acquired vacant units.

Whilst vacancies in the traditional portfolio increased to 4.2% as at 31 December 2019, reletting initiatives were being actively pursued. As a consequence, tenancy of 3 142m² of space was secured for occupation in 2020. Vacancy in the Afhco residential portfolio averaged 7.3% during the year and peaked at 8.2% at the end of the year due to the usual vacating of residents over the festive season.

Total arrears were R158,0m (2018: R113,3m) or 6.1% of revenue (2018: 4.3%) evidencing challenging trading conditions in depressed economic times. The Group has introduced a more proactive process to expedite the vacating and replacement of tenants that are unable to meet their rental obligations.

BORROWINGS

The debt profile as at 31 December 2019 is detailed below:

Facility	Maturity date	Value (Rm)	Interest Rate %
Fixed[1]	01/11/2020	378	3.21%
Fixed	11/12/2020	500	9.00%
Fixed	11/12/2021	500	9.13%
Fixed	13/12/2021	550	9.03%
Fixed	07/05/2022	300	8.73%
Term revolver[2]	07/05/2022	–	8.78%
Fixed	07/05/2022	629	8.83%
Term revolver[3]	30/06/2022	114	8.63%
Fixed	11/12/2022	1 000	9.19%
Fixed	07/05/2023	637	8.86%
Fixed	07/05/2023	513	9.00%
Amortising	15/04/2024	77	6.88%
Fixed	07/05/2024	585	8.95%
Fixed	07/05/2024	564	9.06%
Fixed	07/05/2025	307	9.13%
Fixed	07/05/2025	300	9.17%
Total interest bearing borrowings		**6 954**	**8.67%**
Cross currency swap	19/09/2022	(132)	9.19%
Cross currency swap[1]	19/09/2022	140	3.98%
Cross currency swap	26/01/2023	(120)	9.18%
Cross currency swap[1]	26/01/2023	140	4.36%
Total/Weighted average		**6 982**	**8.47%**

1. US Dollar denominated loan.
2. R300m revolving credit facility undrawn.
3. R200m revolving credit facility.

Total debt drawn amounted to R6,982bn (2018: R6,408bn), an increase of 8.96%. The loan to value ("LTV") has increased from 34.6% at 31 December 2018 to 37.9% as at 31 December 2019. The weighted average cost of debt excluding and including interest rate swaps, was 8.15% and 8.47% respectively. The weighted average swap margin including cross currency swaps was 0.32% (2018: 0.16%) and the weighted average debt margin was 1.72% (2018: 1.70%). The weighted average tenor of loans including the cross-currency swaps is 2.9 years. 72.38% of total debt drawn was fixed through a combination of fixed rate debt and interest rate swaps in respect of the variable debt for a period of 3.4 years.

The Group's funding strategy is to fund investments from a diverse set of lenders with a common security pool, held via a security SPV. This creates pricing tension while ensuring lender investment exposure is of equal quality. It is also the strategy to improve predictability of the funding costs by ensuring that at least 70% of all variable debt is fixed through the use of interest rate swap derivatives at pricing supportive of investment returns, while maintaining a leverage percentage of less than 40% of total property investments. Mindful of property valuations being under pressure, the Company intends utilising a portion of disinvestment proceeds to settle debt.

The interest cover ratio reduced to 2.6 times (2018: 2.8 times).

Undrawn facilities at year-end amount to R386,0m.

SHARE REPURCHASE

During the year 15 957 242 shares were repurchased at a weighted average price of 313cps.

CHANGES IN DIRECTORATE

Adv J Molobela passed away on 27 June 2019 and our sincere condolences go out to his family. Ms GP Dingaan retired as a non-executive director on 28 May 2019 and Ms U Fikelepi and Ms A Chowan resigned as non-executive directors on 21 June 2019 and 29 July 2019, respectively.

Ms EM Hendricks was appointed as interim Chairman from 14 June to 15 July 2019, whereafter Mr MA Moloto became Chairman.

Ms N Ford-Hoon (Fok), Mr A van Heerden, Mr GJ Heron and Adv OR Mosetlhi were appointed to the Board as independent non-executive directors on 17 July 2019. Adv Mosetlhi was appointed as lead independent director on 5 December 2019.

We believe that our reconstituted Board of Directors provides the right balance of skills and experience to steer the Group towards the return and continuance of sustainable distribution growth and long-term capital appreciation for investors.

COMPANY SECRETARIAL

Kilgetty Statutory Services Proprietary Limited resigned as company secretary on 18 April 2019 and was replaced with Luvivi Proprietary Limited, on 13 May 2019, who have since been replaced by Tasja Kodde on 17 February 2020.

OUTLOOK

Operating in a continuing fragile South African economy, the Company is focussed on refining its property portfolio to generate defensive income. To achieve this:

- Exposure to grocer and convenience offering in our shopping centres is to be increased together with leasing responsive to changing market and catchment demand to ensure that low vacancies are maintained.
- Industrial lessees with strong tenant covenants and longer lease terms are to be secured notwithstanding the short-term rental sacrifice that may be required. The industrial portfolio is to be positioned to be quality logistics and properties not meeting investment criteria, and which have a risk of vacancy, are to be sold.
- Remaining commercial office properties will be methodically disposed of at best possible pricing.
- The quality, security and amenity offering of Afhco's residential properties concentrated in mixed use precincts in close vicinity to transport nodes will be leveraged to be competitive.
- Rooftop PV solar installations will continue to be rolled-out.
- The capital structure will receive particular attention to ensure it is supportive of sustainable distribution.

The Board's view is that the distribution for the 2020 financial year will be between -3% and -6% in comparison to the prior year.

This guidance is based on the following assumptions:

- Achieving forecasted rental income based on contractual terms and anticipated market-related renewals;
- Tenants will be able to absorb the recovery of rising utility costs and municipal rates; and
- No material adverse change in trading conditions or large corporate failures.

The forecast has not been reviewed or reported on by the Group's auditors.

DISTRIBUTION STATEMENT

(R000)	2019	2018
DISTRIBUTABLE EARNINGS		
Rent (excluding straight line rental adjustment)	**1 672 524**	1 690 835
Net property expenses	**(323 438)**	(235 312)
Property expenses	**(919 231)**	(832 529)
Recovery of property expenses	**595 793**	597 217
Net property income attributable to non-controlling interest	**–**	(26 182)
Net property income	**1 349 086**	1 429 341
Income from investment in joint ventures	**73 752**	61 668
Taxation on distributable earnings	**(190)**	(136)
Impairment of unlisted shares	**(1 522)**	–
Dividends from investments in listed shares	**12 908**	13 954
Net finance cost	**(431 474)**	(391 958)
Interest expense	**(501 007)**	(508 964)
Interest income	**69 533**	88 816
Interest attributable to non-controlling interest	**–**	28 190
Distribution related expenses	**(44 113)**	(44 653)
Antecedent distribution	**1 527**	–
Distributable earnings	**959 974**	1 068 216
Interim	**515 769**	549 038
Final	**444 205**	519 178
Shares in issue (000)	**2 514 732**	2 530 689
Weighted number of shares in issue (000)	**2 526 975**	2 530 689
Distribution (cents per share)	**38.04**	42.22
Interim	**20.38**	21.70
Final	**17.66**	20.52

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(R000)	2019 Audited	2018 Restated*
Assets		
Non-current assets		
Investment property	**16 788 656**	17 309 740
Letting commissions and tenant installations	**44 049**	42 893
Investments in joint ventures	**930 605**	981 179
Property, plant and equipment	**16 033**	16 396
Intangible assets and goodwill	**81 904**	81 904
Right-of-use assets	**13 102**	–
Loans to developers	**–**	9 391
Investment in listed shares	**117 166**	128 960
Other financial assets	**6 253**	3 071
Swap derivatives	**249 929**	261 056
Deferred tax	**6 196**	199
Rental receivable – straight-line rental adjustment	**229 927**	235 476
	18 483 820	**19 070 265**
Current assets		
Inventories	**333**	279
Loans to developers	**131 767**	212 804
Development prepayment	**–**	155 135
Loans receivable	**217 338**	–
Other financial assets	**9 886**	11 968
Swap derivatives	**22 596**	30 361
Trade and other receivables	**376 593**	451 114
Cash and cash equivalents	**193 553**	206 595
Rental receivable – straight line rental adjustment	**49 739**	40 112
Taxation receivable	**1 036**	1 128
	1 002 841	1 109 496
Non-current assets held for sale	**307 647**	216 246
Total Assets	**19 794 308**	20 396 007
Equity and liabilities		
Equity		
Share capital and reserves	**11 991 689**	12 861 300
Liabilities		
Non-current liabilities		
Lease liabilities	**14 275**	–
Swap derivatives	**349 166**	307 095
Loan from non-controlling shareholder	**–**	252 165
Interest bearing borrowings	**6 057 457**	4 698 774
	6 420 898	**5 258 034**
Current liabilities		
Lease liabilities	**5 708**	–
Swap derivatives	**39 066**	22 469
Interest bearing borrowings	**896 130**	1 791 376
Trade and other payables	**440 817**	462 828
	1 381 721	2 276 673
Total liabilities	**7 802 619**	7 534 707
Total equity and liabilities	**19 794 308**	20 396 007

* *Re-classification of prepayments. Refer note 26 of the financial statements.*

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(R000)	2019 Audited	2018 Restated*
Revenue	**2 283 947**	2 309 524
Other operating expenses	**(982 679)**	(908 257)
Operating profit	**1 301 268**	1 401 267
Foreign exchange adjustments	**17 185**	(93 593)
Fair value (loss)/gain on swap derivatives	**(84 513)**	24 874
Capital loss on disposal of investment properties and property, plant and equipment	**(9 256)**	(9 242)
Fair value loss on investment properties	**(563 652)**	(88 384)
Profit on acquisition of non-controlling interest	**1 850**	–
Impairment of investment in unlisted shares	**(1 522)**	–
Fair value loss on investment in listed shares	**(11 794)**	(41 300)
Profit from joint ventures	**17 439**	38 818
Dividends from investment in listed shares	**13 879**	16 046
Interest income	**69 533**	88 816
Interest expense	**(503 219)**	(508 964)
Profit before taxation	**247 198**	828 338
Taxation	**5 730**	1 679
Profit for the year	**252 928**	830 017
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Foreign exchange adjustments on investment in joint ventures	**(25 730)**	139 098
Total comprehensive income	**227 198**	969 115
Profit after taxation attributable to:		
Owners of the company	**235 603**	847 850
Non-controlling interest	**17 325**	(17 833)
	252 928	830 017
Basic earnings per share (cents)	**9.32**	33.50
Diluted earnings per share (cents)	**9.32**	33.50

* *Re-presentation of change in interest expense. Refer note 26 of the financial statements.*

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(R000)	2019 Audited	2018 Audited
Share capital and reserves at the beginning of the year	**12 861 300**	13 008 861
Opening impact of IFRS 16	**(7 812)**	–
Total comprehensive income for the year	**227 198**	969 115
Shares repurchased	**(50 084)**	–
Treasury shares repurchased	**(9 470)**	(1 974)
Share-based payment reserve	**5 504**	4 688
Distribution attributable to shareholders	**(1 034 947)**	(1 119 390)
Share capital and reserves at the end of the year	**11 991 689**	12 861 300

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

(R000)	2019 Audited	2018 Audited
Operating profit before working capital changes	**1 361 807**	1 459 528
Working capital changes	**82 462**	41 272
Cash generated from operations	**1 444 269**	1 500 800
Operating activities changes	**(1 517 369)**	(1 595 750)
Interest received	**72 719**	86 449
Distributions paid	**(1 034 947)**	(1 119 390)
Interest paid	**(554 966)**	(562 057)
Taxation paid	**(175)**	(752)
Net cash used in operating activities	**(73 100)**	(94 950)
Net cash used in investing activities	**(91 944)**	(802 719)
Net cash from financing activities	**152 002**	828 810
Finance lease payments	**(9 076)**	–
Proceeds on interest bearing borrowings	**4 499 000**	936 186
Shares repurchased	**(50 084)**	–
Repurchase of treasury of shares	**(9 470)**	(1 974)
Repayment of interest bearing borrowings	**(4 026 203)**	(267 376)
Loan from non-controlling shareholder	**(252 165)**	161 974
Total cash and cash equivalents movement for the year	**(13 042)**	(68 859)
Cash and cash equivalents at the beginning of year	**206 595**	275 454
Cash and cash equivalents at the end of year	**193 553**	206 595

NOTES

1. Reconciliation of profit after tax to headline earnings and distributable earnings attributable to shareholders

	2019 Audited		2018 Audited	
	R000	**cps**	R000	cps
Profit after taxation attributable to shareholders	**235 603**	**9.32***	847 850	33.50*
Adjustments for:				
Capital loss on disposal of investment properties	**9 256**		9 242	
Fair value loss on investment properties in joint ventures	**53 529**		17 375	
Non-controlling interest – fair value gain/(loss) on investment properties	**17 325**		(15 825)	
Fair value loss on investment properties	**563 652**		88 384	
Gain on acquisition of subsidiary	**(1 850)**		–	
Headline earnings	**877 515**	**34.73***	947 026	37.42*
Depreciation	**6 468**		6 201	
Dividend from investment in listed shares not yet declared	**(971)**		(2 092)	
Foreign exchange adjustments	**(15 686)**		94 075	
Non-distributable expenses	**17 166**		22 450	
Non-distributable expenses on investment in joint ventures	**129**		7 417	
Non-distributable taxation	**(5 920)**		(1 815)	
Revaluation of interest rate swap derivatives	**84 513**		(24 874)	
Revaluation of investment in listed shares	**11 794**		41 300	
Antecedent distribution	**1 527**		–	
Straight line rental adjustment	**(15 630)**		(21 472)	
IFRS 16: Interest on Lease Liability	**(9 076)**		–	
IFRS 16: Depreciation on Lease Asset	**5 933**		–	
IFRS 16: Lease Expense	**2 212**		–	
Distributable earnings attributable to shareholders	**959 974**	**38.04**	1 068 216	42.22
Interim	**515 769**	**20.38**	549 038	21.70
Final	**444 205**	**17.66**	519 178	20.52

** Calculated on weighted number of shares in issue and excludes non-controlling interest.*

2. 2019 Information on reportable segments

(R000)	Industrial	Retail*	Commercial	Afhco	Group
Revenue	603 840	924 685	96 770	658 652	2 283 947
Rental income (excluding straight line rental adjustment)	482 835	561 041	77 726	550 922	1 672 524
Net property expenses	(57 392)	(35 663)	(22 979)	(198 328)	(314 362)
Property expenses	(163 965)	(388 781)	(51 422)	(305 987)	(910 155)
Recovery of property expenses	106 573	353 118	28 443	107 659	595 793
Net property income	425 443	525 378	54 747	352 594	1 358 162
Straight-line rental adjustment	14 432	10 526	(9 399)	71	15 630
Net interest expense	–	–	–	–	(433 686)
Foreign exchange adjustments	–	–	–	–	17 185
Dividends from investments in listed shares	–	–	–	–	13 879
Profit from investment in joint venture	–	–	–		17 439
Gain on acquisition of non-controlling interest		–	–	–	1 850
Group expenses	–	–	–	–	(72 524)
Capital profit on disposal of investment properties	–	–	–	–	(9 256)
Fair value loss on investment properties	(118 089)	(353 096)	(67 138)	(25 329)	(563 652)
Investment properties	(103 657)	(342 570)	(76 537)	(25 258)	(548 022)
Straight-line rental adjustment	(14 432)	(10 526)	9 399	(71)	(15 630)
Impairment of unlisted shares	–	–	–	–	(1 522)
Fair value loss on investments in listed shares	–	–	–	–	(11 794)
Fair value loss on swap derivatives	–	–	–	–	(84 513)
Taxation	–	–	–	–	5 730
Net profit /loss attributable to shareholder	321 786	182 808	(21 790)	327 336	252 928
Foreign exchange adjustments on investment in joint ventures	–	–	–	–	(25 730)
Total comprehensive income	321 786	182 808	(21 790)	327 336	227 198
Profit attributable to					
Owners of the company	321 786	182 808	(21 790)	310 011	235 603
Non-controlling interest	–	–	–	17 325	17 325
	321 786	182 808	(21 790)	327 336	252 928

** Storage is managed as an extension of retail and is, therefore, grouped with retail.*

(R000)	Industrial	Retail*	Commercial	Afhco	Group
Other Information					
Properties	4 465 000	7 553 500	556 325	4 798 007	17 372 832
Non-current assets	4 152 382	7 370 814	503 785	4 761 675	16 788 656
At valuation	4 221 500	4 590 700	512 500	4 201 122	13 525 822
Straight line rental adjustment	(69 118)	(179 986)	(8 715)	(21 847)	(279 666)
Under development	–	2 960 100	–	582 400	3 542 500
Current assets	230 972	2 700	43 612	14 289	291 573
Classified as held for disposal	243 500	2 700	43 825	14 485	304 510
Straight line rental adjustment – valuation	(12 528)	–	(213)	(196)	(12 937)
Other assets	175 206	410 491	45 686	930 747	2 714 079
Total assets	4 558 560	7 784 005	593 083	5 441 262	19 794 308
Total liabilities	75 776	185 627	22 902	213 722	7 802 619
Acquisitions and improvements	35 782	432 220	2 662	390 309	860 973
Segment Growth rates (%)					
Rental income (excluding straight line rental adjustment)	(6.2)	(3.8)	(15.2)	9.9	(1.1)
Property expenses	3.0	2.5	6.3	24.6	9.3
Recovery of property expenses	(5.2)	(0.2)	(5.0)	6.6	(0.2)
Net property income	(9.1)	(5.8)	(25.2)	(1.1)	(6.7)

** Storage is managed as an extension of retail and is, therefore, grouped with retail.*

3. Fair value measurement

Fair value for financial instruments and investment properties:

(R000)	Fair Value	Level 1	Level 2	Level 3
Assets				
Non-current assets				
Listed shares	117 166	117 166	–	–
Investment property	17 068 322	–	–	17 068 322
Investment in joint venture	930 605	–	–	930 605
Swap derivatives – NCA	249 929	–	249 929	–
	18 366 022	117 166	249 929	17 998 927
Current assets				
Properties classified as held for disposal	304 510	–	–	304 510
Swap derivatives – CA	22 596	–	22 596	–
Loan to developer	131 767	–	–	131 767
	458 873	–	22 596	436 277
Total assets	18 824 895	117 166	272 525	18 435 204
Non-current liabilities				
Swap derivatives – NCL	349 166	–	349 166	–
Current liabilities				
Swap derivatives – CL	39 066	–	39 066	–
Total liabilities	388 232	–	388 232	–

The swap derivatives are valued based on the discounted cash flow method. Future cash flows are estimated based on forward exchange and interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk. The investment in listed shares is valued at the quoted market price, and the investment in unlisted shares is measured at management's assessment of the recoverability of the investment in the shares. The investment in JVs is valued at the ownership of the underlying JV's net asset value. The fair value of the investment property is determined by an independent registered valuer. The fair value of the industrial, retail, commercial and storage portfolio of investment properties, excluding properties subject to unconditional contracted sales, is based on the discounted cash flow method. The fair value of the inner-city retail, residential and commercial investment properties is based on the capitalisation of the net income earnings. The discounted cash flow method is not appropriate due to the short-term nature of the portfolio's leases. The fair value of the loans to developers is based on the underlying properties to be transferred to the Group.

4. Adoption of new and revised International Financial Reporting Standards

The Group elected to adopt IFRS 16 retrospectively from 1 January 2019 using the modified retrospective approach without restating comparative figures. IFRS 16 replaces the existing lease standard and the related interpretations.

In applying IFRS 16 for the first time, the Group used certain practical expedients permitted by the standard, namely a single discount rate for leases with reasonably similar characteristics. The liability was measured at the present value of the remaining lease payments, discounted using the incremental weighted average cost of debt ("WACD") at 1 January 2019. The incremental WACD applied to the lease liability on 1 January 2019 was 9.38%.

Lessor accounting remains substantially unchanged and the Group, as a lessor, has operating leases only. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. This fundamentally changes how the Group will recognise operating leases where the Group is the lessee. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The Group has recognised a right-of-use asset and lease liability for its operating lease of property. The nature of expenses related to this lease will now change from an operating lease charge to a depreciation charge for the right-of-use asset and interest expense for the lease liability.

Recognition of right-of-use asset and lease liability	**R000**
Right-of-use asset	
Recognised on 1 January 2019	**16 357**
Additions	**2 678**
Depreciation	**(5 933)**
Balance as at 31 December 2019	**13 102**
Lease liability	
Recognised on 1 January 2019	**24 169**
Additions	**2 678**
Finance cost	**2 212**
Lease payments	**(9 076)**
Balance as at 31 December 2019	**19 983**

5. Capital commitments and contingent liabilities

The Group had capital commitments of R478,0m as at 31 December 2019 (2018: R922,7m).

The contingent liabilities comprise guarantees issued on behalf of the following parties:

Guarantees	2019 Audited R000	2018 Audited R000
Developer holding a non-controlling interest in a subsidiary	273 100	273 100
Developer	–	115 532
Investment in joint venture's borrowings	265 536	272 111
Total	**538 636**	**660 743**

6. Significant transactions

During the year, the Group acquired the non-controlling interest in Afhco Lifestyle Proprietary Limited (formerly Afhco Calgro M3 Consortium Proprietary Limited).

7. Reportable irregularity

During the year, the Group's auditors, Deloitte & Touche, reported a reportable irregularity ("RI") to the Independent Regulatory Board for Auditors ("IRBA") in relation to a director's dealings in the Company's shares. SA Corporate has responded to this RI and the auditors have informed the IRBA that the RI did occur, but is no longer continuing. The RI does not affect the fair presentation of the financial statements.

8. Dividends and events after the reporting period

The Company declared a distribution of 17.66cps on 10 March 2020. The directors are not aware of any other significant events between the end of the financial period under review and the date of this report.

DISTRIBUTION DECLARATION

DISTRIBUTION DECLARATION AND IMPORTANT DATES

Notice is hereby given of the declaration of distribution number 10 in respect of the income distribution period 1 July to 31 December 2019. The distribution amounts to 17.66cps (2018: 20.52cps).

The source of the distribution comprises net income from property rentals. Please refer to the statement of comprehensive income for further details. 2 514 732 095 SA Corporate shares are in issue at the date of this distribution declaration and SA Corporate's income tax reference number is 9179743191.

Last date to trade *cum* distribution	Tuesday, 31 March 2020
Shares will trade *ex*-distribution	Wednesday, 1 April 2020
Record date to participate in the distribution	Friday, 3 April 2020
Payment of distribution	Monday, 6 April 2020

Share certificates may not be dematerialised or re-materialised between Wednesday, 1 April and Friday, 3 April 2020, both days inclusive.

TAX IMPLICATIONS

As SA Corporate has REIT status, shareholders are advised that the distribution 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 distributions on SA Corporate shares will be deemed to be dividends, for South African tax purposes, in terms of section 25BB of the Income Tax Act. The distributions received by or accrued to South African tax residents must be included in the gross income of such shareholders and are not exempt from income tax (in terms of the exclusion to the general dividend exemption, contained in paragraph (aa) of section 10(1)(k)(i) of the Income Tax Act) because they are dividends distributed by a REIT, with the effect that the distribution is taxable in the hands of the shareholder.

These distributions are, however, exempt from dividend withholding tax in the hands of South African tax resident shareholders, provided that the South African resident shareholders have provided the following forms to their CSDP or broker, as the case may be, in respect of uncertificated shares, or the transfer secretaries, in respect of certificated shares:

(a) a declaration that the distribution is exempt from dividends tax; and

(b) a written undertaking to inform the CSDP, broker or the transfer secretaries, as the case may be, should the circumstances affecting the exemption 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. SA Corporate shareholders are advised to contact the CSDP, broker or transfer secretaries, as the case may be, to arrange for the abovementioned documents to be submitted prior to payment of the distribution, if such documents have not already been submitted.

Notice to non-resident shareholders

Distributions received by non-resident shareholders 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. It should be noted that until 31 December 2013 distributions received by non-residents from a REIT were not subject to dividend withholding tax. From 22 February 2017, any distribution received by a non-resident from a REIT is subject to dividend withholding 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 shareholder.

Assuming dividend withholding tax will be withheld at a rate of 20%, the net dividend amount due to non-resident shareholders is 14.128 cents per SA Corporate 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 the CSDP or broker, as the case may be, in respect of uncertificated shares, or the transfer secretaries, in respect of certificated shares:

(a) a declaration that the dividend is subject to a reduced rate as a result of the application of a DTA; and

(b) a written undertaking to inform the CSDP, broker or the transfer secretaries, 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. Non-resident shareholders are advised to contact the CSDP, broker or the transfer secretaries, as the case may be, to arrange for the above mentioned documents to be submitted prior to payment of the distribution if such documents have not already been submitted, if applicable.

Cape Town

10 March 2020

Sponsor: Nedbank Corporate and Investment Banking

CORPORATE INFORMATION

DIRECTORATE AND STATUTORY INFORMATION

SA Corporate Real Estate Limited
(Incorporated in the Republic of South Africa)
(Registration number 2015/015578/06)
Approved as a REIT by the JSE
Share code: SAC
ISIN code: ZAE000203238
("SA Corporate" or the "Company")

Registered office

South Wing, First Floor
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The Forum
North Bank Lane
Century City
7441
Tel 021 529 8410

Registered auditors

Deloitte & Touche
1st Floor
The Square
Cape Quarter
27 Somerset Road
Cape Town
8005

Company secretary

T Kodde
South Wing, First Floor
Block A
The Forum
North Bank Lane
Century City
7441

Transfer secretaries

Computershare Investor Services (Pty) Ltd
Rosebank Towers
15 Biermann Avenue
Rosebank
2196

Sponsor

Nedbank Corporate and Investment Banking,
a division of Nedbank Limited
135 Rivonia Road
Sandton
2196

Directors

MA Moloto (Chairman)
OR Mosetlhi (Lead Independent Director)
TR Mackey (Chief Executive Officer)*
AM Basson (Chief Financial Officer)*
RJ Biesman-Simons
N Ford-Hoon (Fok)
EM Hendricks
GJ Heron
ES Seedat
A van Heerden

** Executive*

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