



SA CORPORATE
REAL ESTATE



**CONDENSED UNAUDITED
CONSOLIDATED INTERIM
FINANCIAL RESULTS**

for the six months ended 30 June 2021

INDUSTRIAL | RETAIL | OFFICE | RESIDENTIAL | REST OF AFRICA

OVERVIEW

DISTRIBUTION

Interim distributable income of
R344.5 million or
13.70 cps

(June 2020: R311.1 million or 12.37 cps)

Distribution declared of
10.27 cps based on a
75% payout ratio

(June 2020: In the interest of capital preservation, no interim distribution was made)

PROPERTY ACTIVITY

Contracted and executed disposals
R1 849.3 million

(H1 2021 transferred: R545.7 million;
2021 contracted: R1 303.6 million;
of which R210.7 million transferred post
June 2021)

Assets under management of
R16.4 billion

(December 2020: R17.1 billion)

PORTFOLIO PERFORMANCE

Total net property income of
R589.8 million

(June 2020: R542.4 million)

Total like-for-like net property income
increased by
8.9% to **R545.4 million**

(June 2020: R500.7 million)

Traditional portfolio vacancies of
3.6% of GLA

(June 2020: 5.0%)

CAPITAL STRUCTURE

LTV ratio of **38.4%***

(December 2020: 38.6%)

Weighted average cost of funding of
5.4% (December 2020: 5.2%) exclusive of
swaps and
7.8% (December 2020: 7.7%) inclusive

Effective fixed debt of **72.2%**
with a weighted average tenor of
2.5 years

* Net debt LTV excluding derivatives, which if included would
be 40.0% (December 2020: 41.2%)

COMMENTARY

INTRODUCTION

SA Corporate Real Estate Limited is a JSE-listed Real Estate Investment Trust (“REIT”) and together with all its subsidiaries (“SA Corporate” or “the Group”) 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. As at 30 June 2021, the property portfolio, consisted of 172 properties, with 1 386 723m² of lettable area, valued at R15.3 billion, a 50% joint venture (“JV”) in three Zambian entities with properties valued at R789.4 million, an 80% JV in The Falls Lifestyle Estate valued at R144.6 million and listed investments valued at R120.1 million.

STRATEGY UPDATE

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 capital 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 portfolio. Since the beginning of 2021, we have continued to make significant progress in the implementation of the aforementioned strategy.

The Group remains committed to increase the convenience-oriented focus of its retail portfolio. This is through two interventions being the redevelopment of certain shopping centres and strengthening the tenant covenant of the portfolio. The redevelopment of Morning Glen which is to improve access, introduce additional parking and enhance the tenant mix is progressing as planned in three phases to be completed respectively by year-end and the first and second quarters of 2022. Planning of access improvements at Montana Crossing are progressing positively, whilst a self-storage facility has been introduced in mothballed space at this property. Improvements to Northpark Mall to accommodate a grocer that has been secured for the shopping centre is to be completed by the end of the year and a medical services tenancy has been introduced.

In respect of strengthening the tenant covenant of the retail portfolio considerable effort has been invested in unlocking value at Musgrave Centre. The new Food Lover’s Market is to commence trading in November 2021 and Pick n Pay is to undertake a total store upgrade at their cost as committed to in their 10-year lease renewal. Dischem’s new store commenced trading in June 2021, whilst medical services, an increased convenience offering and exciting new apparel are being introduced. Engen, Woolworths and Truworths have renewed their leases. At Bluff Towers, Clicks are to trade from the ex Edgars space in September 2021 and the long-standing vacancy of 1 000m² in the stand-alone building has been leased to China Hyper who is to open its doors to the public in December 2021. Dischem is being repositioned to strengthen the eastern entrance of East Point where Dealz is to commence trading in November 2021 together with a food and craft market and increased convenience offering. Meat and Chicken has been trading from Umlazi Mega City since May 2021 and a 2 800m² lease has been concluded with Buildit at this property. Important renewals have been concluded with Checkers at The Oaks and Spar at Celtis Ridge. Convenience offerings have been increased at Celtis Ridge, Town Square, Hayfields, Midway Mews and Coachman’s Crossing.

In support of the Group’s strategy to invest in quality industrial property, the portfolio has been refined through disposals. This has resulted in the divestment of leasehold properties and the remaining portfolio comprising 57 properties being 74% logistics and 85% with a GLA above 4 000m². SA Corporate is committed to retaining its “blue-chip” industrial tenants and in the period under review concluded a five-year renewal of the lease with Twinsaver in respect of the 28 538m² facility at the corner of Staal and Stephenson Roads, Pretoria, at a -14.2% reversion. Successful negotiations with Tiger Brands should result in the packaged goods company relocating 1 300m² of their offices to the 70 000m² precinct they lease in Jet Park. 85% of the industrial portfolio leases expiring in 2021 have already been addressed through renewals, re-lets and disposals, with almost all the remaining industrial expiring leases anticipated to be renewed by year-end.

COMMENTARY *CONTINUED*

In pursuance of its strategy to have a quality residential rental portfolio SA Corporate wishes to be invested in attractive suburban nodes and, when in the inner city, in precincts in which its subsidiary, Afhco, can ensure accessibility, security and lifestyle amenities. Consequently it has transferred one and contracted the sale of a further 10 properties in two transactions in the Johannesburg inner city totalling R610.8 million and 250 non-core apartments. The inner city divestment is particularly strategic as it represents a meaningful progression to a high-quality residential portfolio when complemented by the acquisition of apartments in The Falls Lifestyle Estate where the joint venture in which Afhco has an 80% interest has taken transfer of 200 apartments and the remaining 280 apartments are anticipated to transfer in the second half of the year and the first half of 2022. Considerable progress has been made in reinstating a stable residential tenant base having been weakened by the effects of the COVID-19 pandemic. Occupancy as at 30 June 2021 increased to 91.6% from 84.6% at the end of 2020.

The Group continues to execute its strategy of divesting completely from the office sector and two further contracted disposals are anticipated to transfer by the end of September 2021. Increasing the occupancy of the remaining portfolio has remained a priority whilst the conversion of office space to storage is being investigated at a number of our remaining commercial properties.

Ensuring the financial sustainability of the Group during the economic uncertainty that has been precipitated by the pandemic has been an area of particular attention for SA Corporate. Following transferred disposals of R375.2 million in 2020, since 1 January 2021 further divestments totalling R1 849.3 million have been contracted and R756.4 million transferred to date. This will enable significant settlement of debt and already has included the extinguishing of certain cross-currency interest rate swaps and the settlement of term debt. Furthermore, through refinancing certain JV facilities, guarantees provided by the Group are to be reduced thereby improving loan covenants.

BASIS OF PREPARATION

The condensed unaudited consolidated interim financial results have been prepared in accordance with the JSE Limited Listings Requirements for abridged reports, and the requirements of the Companies Act applicable to summary financial statements. The Listings Requirements require abridged reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial 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 interim consolidated financial statements from which the condensed consolidated financial results were derived are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the 31 December 2020 consolidated annual financial statements.

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 2021. The adoption of these Standards and Interpretations has not resulted in any adjustment to the amounts previously reported for the year ended 31 December 2020. This report was compiled under the supervision of AM Basson CA(SA), the Chief Financial Officer, and has not been audited nor reviewed by the Group's auditors, PricewaterhouseCoopers Inc.

SA REIT FUNDS FROM OPERATIONS

Funds from operations, as defined by the SA REIT Association ("SA REIT FFO"), generated for the six months were R344.5 million (June 2020: R311.1 million). Total SA REIT FFO per share for the six months amounted to 13.70 cps, up 10.7% relative to 12.37 cps in June 2020. The funds available to shareholders have been positively impacted by a reduction in rental relief and provision for expected credit losses in H1 2021.

NET PROPERTY INCOME

Total property revenue amounts to R1 055.4 million (June 2020: R1 020.2 million) with the like-for-like portfolio, excluding disposals, developments and acquisitions during 2020 and 2021, amounting to R943.6 million (June 2020: R905.1 million). The increase in like-for-like revenue of R38.5 million arises mainly from the reduction in rental relief and deferrals of R56.0 million.

Like-for-like property expenses decreased by 2.4%. The total property expenses decreased by 2.5% to R465.6 million (June 2020: R477.8 million) mainly due to a reduction in provision for expected credit losses offset by increased maintenance costs which were limited to emergency maintenance costs in 2020 to improve liquidity during the hard lockdown.

Net property income ("NPI") increased by 8.7% (R47.4 million), with the like-for-like portfolio increasing by 8.9%.

The overall distribution from the JV for the six months decreased by 26.5% to R23.9 million (June 2020: R32.5 million) due to increased vacancies and continued discounted rentals. The decrease in the distribution from the Zambian JV in ZAR was further impacted by the appreciation of the ZAR/USD average conversion rate by 12.6%.

NET FINANCE COST

Net finance cost, excluding the impact of IFRS 16, decreased by 4.8%. This is a result of the average settlement of debt of R393.1 million and a 37.6% reduction in the three-month Johannesburg Interbank Average Rate ("JIBAR") base rate. This was offset by lower capitalised interest arising from a reduced development pipeline, a reduction in interest income arising from the settlement of loans advanced to developers and lower interest received on cash balances due to the JIBAR base rate change.

PROPERTY VALUATIONS

The Group's independently valued property portfolio, which excludes the three Zambian properties, decreased by R618.2 million (3.9%) to R15.3 billion in the six months to June 2021 mainly due to divestments totaling R540.4 million. The like-for-like portfolio held for the six months to June 2021 reduced by R36.6 million (0.3%) from December 2020.

The prolonged economic distress associated with the COVID-19 pandemic has continued to have a negative impact on property valuations. The weighted average capitalisation and discount rates have remained fairly constant from December 2020 at 9.8% and 14.8% respectively. The capitalisation rates used in SA Corporate's June 2021 valuations are on average 83 bps wider than the sector average for the relevant retail property types, 33 bps wider in respect of offices and 41 bps narrower in industrial compared with that reported by the South African Properties Owners Association ("SAPOA") in May 2021. In respect of industrial, the variance is reflective of the quality of the portfolio and the divestment of lesser quality properties.

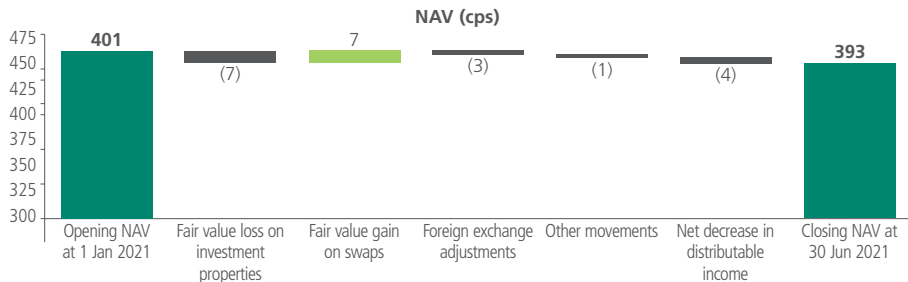
The capitalisation rates used in the Afhco valuation remain unchanged from the prior year. However, the reduction in value of this portfolio is driven by negative movements in the other valuation assumptions. The higher than anticipated lockdown levels delayed our ability to restore the performance of particularly the inner city residential portfolio and the closure of borders negatively impacted inner city retail.

The discount and capitalisation rates applied in the valuations are discussed in the investment property section in note 3.

Valuation assumptions include conservative forecasts in respect of the recovery from the COVID-19 pandemic and possible impacts of the riots in July are addressed in the "Events after the reporting period" section.

COMMENTARY *CONTINUED*

The net asset value (“NAV”) per share decreased by 2.0% from 401 cps to 393 cps including adjustments in respect of the fair value of interest rate swap derivatives, investment property and investment in the Zambian JV as set out in the graph below:



PROPERTY PORTFOLIO

The tables below reflect the pipeline of disposals which includes both properties that meet the definition of held for disposal and those that do not meet the IFRS criteria in this regard due to suspensive conditions in sale agreements.

Transferred disposals:

Property	Transfer date *	Gross selling price (Rm)	Region	Sector
Cnr Old Pretoria and Alexandra Roads, Midrand	Jan 21	8.9	Gauteng	Commercial
Stanop House, New Doornfontein	Feb 21	14.5	Gauteng	Afhco Retail
121 Malacca Road, Red Hill	Mar 21	23.5	Gauteng	Industrial
30 / 34 Hillclimb, Pinetown	Mar 21	43.0	KwaZulu-Natal	Industrial
Cnr Isotope and Bridge Street, Bellville	Apr 21	30.0	Western Cape	Industrial
Maydon Wharf properties, Durban	Apr 21	142.9	KwaZulu-Natal	Industrial
6/8 Mahogany Road, Pinetown	Apr 21	58.0	KwaZulu-Natal	Industrial
Stondell Investments, 684 Pretoria Main Road, Wynberg	May 21	4.0	Gauteng	Industrial
Kempton Corner, Kempton Park	May 21	108.3	Gauteng	Retail
144 Kuschke Street, Meadowdale, Germiston	May 21	10.7	Gauteng	Industrial
Erf 84/85/86 Shakas Head, Durban	Jun 21	50.8	KwaZulu-Natal	Industrial
264 Aberdare Drive, Phoenix	Jun 21	23.0	KwaZulu-Natal	Industrial
Residential apartments	Jan 21 - Jun 21	28.1	Gauteng	Residential
Total disposals		545.7		

* Receipt of proceeds

Contracted and unconditional disposals:

Property	Expected transfer date	Gross selling price (Rm)	Region	Sector
Stellenbosch Square, Stellenbosch ¹	Jul 21	115.0	Western Cape	Retail
16 Friesland Street, Rembrandt Park, Longmeadow ¹	Jul 21	13.0	Gauteng	Industrial
10 Industrial Avenue, Kraaifontein ¹	Aug 21	57.0	Western Cape	Industrial
121 Intersite Avenue, Umgeni Business Park, Durban	Sep 21	26.0	KwaZulu-Natal	Industrial
3 The Terrace, Westway, Westville ¹	Sep 21	13.7	KwaZulu-Natal	Commercial
12 Sookhai, Derby Downs Office Park, Westville	Oct 21	16.0	KwaZulu-Natal	Commercial
Wood Ibis Investments, Maydon Wharf, Durban	Dec 21	69.1	KwaZulu-Natal	Industrial
Residential apartments ²	July 21 - Dec 21	25.3	Gauteng	Residential
Total		335.1		

¹ Transferred subsequent to 30 June 2021

² R12.0 million transferred subsequent to 30 June 2021

COMMENTARY *CONTINUED*

Contracted and conditional disposals:

Property	Expected transfer date	Gross selling price (Rm)	Region	Sector
1 Baltex Road, Isipingo	Dec 21	136.5	KwaZulu-Natal	Industrial
21 Fricker Road, Illovo	Nov 21	24.5	Gauteng	Commercial
ERF 8383, Milnerton ¹	Oct 21	15.0	Western Cape	storage land
Maxwell Hall, Johannesburg CBD	Oct 21	50.0	Gauteng	Residential
Residential apartments	July 21 - Jun 22	73.5	Gauteng	Residential
Hotel at Cullinan Jewel Shopping Centre, Pretoria	Jun-22	2.7	Gauteng	Retail
Nine Johannesburg inner city properties ²	Feb 22	546.3	Gauteng	Residential/ Retail
Safari listed shares	Oct 21	120.0	–	Listed investments
Total		968.5		

¹ *Undeveloped land*

² *Includes R16.3 million in respect of sales commission and transaction costs and a R30 million Agterskot payable on the expiry of a three-year period from implementation dependent on property performance*

Seventeen of the properties transferred and contracted for sale as at June 2021 were industrial properties that do not meet the Group's investment criteria. Six of the aforementioned properties were leasehold properties in support of the Group's strategy to invest in a quality industrial portfolio of strategically located freehold properties with strong tenant covenant. Seven were smaller non-core assets with GLA of less than 5 000m² thus not meeting the strategic intent to invest in superior logistics facilities, three properties have poor industrial designs with high office components and the remaining industrial property contracted for sale is located in an inferior industrial node and thus would be difficult to relet should it become vacant. Divestment of the office portfolio remains a key focus, with one vacant property transferred and three further commercial properties contracted for sale. Two retail properties have been sold, one transferred in May 2021 was located in an unfavourable node and the second transferred during July 2021, our 50% share in a property being our only retail exposure in the Western Cape. The sale of residential apartments in selected buildings that do not meet the long-term investment strategy of the Group's residential portfolio continued during H1 2021. During the half year, 40 apartments were transferred at a selling price of R28.1 million at the weighted average exit yield of 8.1%. The sale of a further 250 apartments have been contracted to date, with 53 being unconditional and expected to transfer in 2021. The sale of Stanop House, Maxwell Hall and a portfolio of nine properties including one property being development land represents a substantial divestment from the Johannesburg inner city at an exit yield of 8.7%. The Group has concluded a transaction to dispose of its 20 million shares in Safari Investment Limited for a consideration of R120 million or R6 per share. This represents a premium of 22.7% to the closing share price as at 15 September 2021.

VACANCIES

Sector	Vacancy as % of GLA*			Vacancy as % of rental income		
	30 Jun 2021	31 Dec 2020	30 Jun 2020	30 Jun 2021	31 Dec 2020	30 Jun 2020
Traditional portfolio						
Industrial	0.6	1.5	3.9	0.4	1.0	1.4
Retail ¹	4.5	4.6	5.1	4.1	4.1	4.2
Commercial	25.1	16.9	16.5	21.2	13.5	13.0
Portfolio total	3.6	3.5	5.0	4.1	3.6	3.7
Afhco portfolio						
Retail/Commercial	5.5	5.7	4.9	4.2	4.0	4.6
Residential ²	8.4	15.4	12.7	8.4	11.2	12.1
South African portfolio JV						
Residential ²	4.3	52.5	–	4.0	52.3	–
Rest of Africa portfolio						
Retail	22.5	17.3	18.1	20.3	16.2	16.3
Commercial	14.8	5.6	5.6	14.9	5.5	5.1
Portfolio total	20.9	14.9	15.5	19.1	13.9	14.0

* 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 units.*

COMMENTARY *CONTINUED*

Good progress has been made in securing new retail tenancies in spite of the various lockdown periods, which is evident from the reduction in vacancy rates from 5.1% at June 2020 to 4.5% in June 2021.

Vacancies in the commercial portfolio as a percentage of GLA increased by 8.2% from December 2020. The ongoing deterioration of the office market and work from home policies continue to challenge this sector corroborating our divestment decision. There is nevertheless continuing leasing efforts at Greenpark Corner, our largest remaining commercial property and repurposing of office space in order to reduce vacancies.

Industrial vacancies decreased from 1.5% in December 2020 to 0.6% in June 2021. The only vacancy in this portfolio is 2 528m² at one property. Afhco residential vacancies decreased to 8.4% from a high of 15.4% in December 2020, due to improved letting activity as a consequence of marketing efforts focused on promotional discounts, as well as slightly improved trading conditions. Vacancies at The Falls Lifestyle Estate, held in a JV, decreased significantly with the take-up of newly constructed units.

Economic instability associated with the sovereign debt crisis severely impacted vacancies in the Zambia JV's properties which increased to 20.9%. The major contributors to the increased vacancy were the tenancy lost at East Park Mall in Lusaka due to the liquidation of Zambian Edcon subsidiaries and Creation Furniture and an area becoming available at Jacaranda Mall in Ndola due to Shoprite replacing Pick n Pay, in a reduced footprint, as the shopping centre's grocer anchor. Furthermore, the office market remains fragile in Lusaka and this is reflected by the 9.2% increase in vacancy at Acacia Office Park. Post the recent presidential elections an intervention by the International Monetary Fund ("IMF") is anticipated, and negotiations to lease in excess of 9% of the vacant space at East Park Mall are under way together with renewed interest at Jacaranda Mall initiated by the new grocer offering.

COMMENTARY *CONTINUED*

COLLECTIONS AND RENTAL RELIEF

Tabulated below are the collections achieved for all quarters affected by the alert levels in those quarters. Details of rental relief are provided for the first two quarters of 2021.

	Alert level	Retail including Storage %	Industrial %	Commercial %	Afhco Retail %	Residential %	Student accommodation %	SA Total %
Quarter 2 2020 collections								
Collections in the quarter	5 to 3	71.7	86.5	82.3	36.6	75.5	96.7	74.8
Quarter 3 2020 collections								
Collections in the quarter	3 to 1	93.1	108.3	88.6	91.0	83.9	107.3	95.3
Quarter 4 2020 collections								
Collections in the quarter	1 & adj 3	107.6	108.1	108.2	94.2	95.3	123.8	104.9
Quarter 1 2021 collections								
Collections in the quarter	Adj 3 & adj 1	90.4	90.1	85.5	91.5	91.9	3.8	89.0
Relief to tenants (% of billings)		1.6	(1.0)	0.9	0.4	0.2	–	0.6
Awaiting substantiation		–	–	–	–	–	–	–
Write-offs		1.6	–	0.9	0.4	0.2	–	0.8
Deferments provided		–	–	–	–	–	–	–
Deferments repaid		–	(1.0)	–	–	–	–	(0.2)
Under negotiation/Arrears/ Prior period collections		8.0	10.9	13.6	8.1	7.9	96.2	10.4
Contractual billings		100.0	100.0	100.0	100.0	100.0	100.0	100.0
Quarter 2 2021 collections								
Collections in the quarter	Adj 1 to adj 3	104.2	117.2	96.4	100.5	100.2	88.6	105.4
Relief to tenants (% of billings)		1.0	(0.5)	–	0.1	0.5	–	0.4
Awaiting substantiation		–	–	–	–	–	–	–
Write-offs		1.0	0.7	–	0.1	0.5	–	0.7
Deferments provided		–	–	–	–	–	–	–
Deferments repaid		–	(1.2)	–	–	–	–	(0.3)
Under negotiation/Arrears/ Prior period collections		(5.2)	(16.7)	3.6	(0.6)	(0.7)	11.4	(5.8)
Contractual billings		100.0	100.0	100.0	100.0	100.0	100.0	100.0

Collections for the six months to June 2021 were at 97.2% (June 2020: 94.5%). After the alert level moved from adjusted level 3 to adjusted level 1 in March 2021 there has been a particular improvement in Q2 2021 collections that increased to 105.4% compared to 89.0% Q1 2021. Total relief granted to tenants amounted to R9.2 million for the six months (FY 2020: R87.4 million). Arrears at 30 June 2021 have decreased to 9.0% of revenue in 2021 (December 2020: 10.6%).

COMMENTARY *CONTINUED*

BORROWINGS

The debt profile as at 30 June 2021 is detailed below:

	Maturity date	Value (Rm)	Interest rate%
Fixed	2021/12/11	500	8.11%
Fixed	2021/12/13	550	8.01%
Fixed	2022/05/07	300	7.71%
Term revolving ¹	2022/05/07	–	7.76%
Fixed	2022/05/07	629	7.80%
Term revolving ²	2022/06/30	–	7.63%
Fixed	2022/12/11	1 000	8.17%
Fixed	2023/05/07	637	7.83%
Fixed	2023/05/07	513	7.97%
Term revolving ³	2023/12/09	–	8.26%
Term revolving ³	2023/12/11	–	8.12%
Fixed	2024/05/07	585	7.93%
Fixed	2024/05/07	564	8.03%
Fixed ⁴	2024/11/05	385	4.96%
Fixed	2025/05/07	308	8.11%
Fixed	2025/05/07	300	8.14%
Fixed	2025/12/09	150	8.46%
Fixed	2025/12/11	150	8.45%
Total interest-bearing borrowings		6 571	7.84%
Cross-currency swap	2023/01/26	(120)	8.17%
Cross-currency swap ⁴	2023/01/26	143	4.36%
Total borrowings at the weighted average interest rate		6 594	7.75%

¹ R300m revolving credit facility undrawn.

² R200m revolving credit facility undrawn.

³ R100m revolving credit facility undrawn.

⁴ US dollar denominated loan.

Total debt drawn amounted to R6 594 million, a decrease of R90.0 million since December 2020. This decrease is attributable to the settlement of the Agence Francaise De Developpement (“AFD”) loan in April 2021 and the settlement of the interest rate cross-currency swap derivatives in May 2021. The USD loans decreased by R10.0 million due to the appreciation of the USD/ZAR exchange rate from 14.7 in December 2020 to 14.3 in June 2021. A further R350.0 million of debt was settled from disposals proceeds in July 2021 reducing the debt drawn to R6 294 million. All facilities maturing in 2022 amounting to R1 929.0 million have been extended to 2023 thereby ensuring that no debt will be classified as short term at 31 December 2021.

The net debt LTV decreased marginally from 38.6% at December 2020 to 38.4% as at June 2021 and a 37.9% in July 2021 following the settlement of debt. This excludes the fair value of interest rate swap derivatives of R246.8 million (December 2020: R425.9 million) and cross-currency interest rate swap derivatives of R31.2 million (December 2020: R61.2 million). The inclusion of cross-currency interest rate swap derivatives increases the LTV to 38.5% (December 2020: 38.7%) and the further inclusion of interest rate swap derivatives increases this to 40.0% (December 2020: 41.2%).

COMMENTARY *CONTINUED*

The weighted average cost of debt excluding and including interest rate swaps was 5.4% and 7.8% (December 2020: 5.2% and 7.7%) respectively, with a 21 bps increase in the JIBAR base rate since December 2020. The weighted average swap margin including cross-currency interest rate swaps was 2.4% (December 2020: 2.5%) and the weighted average debt margin was 1.9% (December 2020: 1.8%). The weighted average tenor of loans is 1.9 years. Subsequent to 30 June 2021, loans amounting to R500 million maturing in December 2021 were refinanced at a weighted average margin and tenor of 1.9% and 4.2 years respectively. This and other short-term refinancing results in an improvement in the weighted average tenor of the debt to 2.2 years by the end of September 2021. 72.2% of total debt drawn was fixed through interest rate swaps in respect of the variable debt for a period of 2.5 years. The annualised amortised transaction costs imputed into the effective interest rate is 0.1% resulting in an all-in weighted average cost of debt of 7.9%. The net interest cover ratio ("ICR") increased to 2.5 times (December 2020: 2.3 times) as a result of the increase in net income as detailed above.

Key lender covenants

At 30 June 2021, the Group was in compliance with all lender covenants applicable to the period.

Description	Covenant requirement	Unaudited six months ended 30 June 2021	Unaudited six months ended 30 June 2020	Audited year ended 31 December 2020
LTV	45%	43.4%	45.3% ¹	43.3%
ICR ²	2.0x	2.1x ³	2.1x ³	1.9x ¹

¹ Covenant waiver obtained from lenders

² This is gross ICR

³ Covenant waiver obtained, however compliant with original covenant

The Group engaged its lenders for relaxation of covenants to 50% for LTV and 1.85 times ICR for the period June 2021 to December 2021 to proactively manage a short-term breach of covenants arising from reduced income and property valuations, impacted by the effects of the COVID-19 pandemic. Whilst this has proactively been extended to December 2021, as reflected above, the Group is in compliance with the normalised covenant requirements.

Mindful of the continued challenging trading conditions resulting from the COVID-19 pandemic and its impacts on future valuations, the Group has engaged its lenders to consider a permanent amendment to the LTV covenant to 50%.

Aligned to the strategy of strengthening the financial position of the Group by reducing gearing from utilisation of a substantial portion of disinvestment proceeds, it is anticipated that the forecast lender LTV will improve to circa 41% by December 2021. The forecasted lender ICR is to improve and remain above the normalised covenant requirement.

The Zambian JV, refinanced a Mauritian USD 13.6 million facility with a Zambian kwacha in country loan in August 2021. In addition to extinguishing the foreign exchange risk associated with this USD debt, it also released the SA Corporate guarantee currently provided in respect of this USD facility as the in country kwacha debt does not have any recourse to SA Corporate. This contributes to the improvement of the Group's lender LTV covenant at 31 December 2021, which includes guarantees.

Cash on hand, excluding tenant deposits (as its use to the Group is restricted), including committed undrawn facilities as at 30 June 2021, amounted to R944.7 million (December 2020: R757.3 million).

COMMENTARY *CONTINUED*

OUTLOOK

Trading conditions improved in the second quarter of the year setting the scene for a return to normality in the recovery from the COVID-19 pandemic. Unfortunately, this was interrupted by the riots in July 2021 that affected four of the Group's shopping centres in KwaZulu-Natal and caused limited damage to a number of industrial and inner city properties. SA Corporate has proactively assessed the damage and submitted its initial provisional claim to its insurers on 7 August 2021. The Group's SASRIA insurance covers both the damage to the properties and the loss of income incurred as a consequence. Restoration is being undertaken in a phased manner planned to be completed by October 2021 save for one shopping centre which requires a significant rebuild with the anticipated completion date of the final phase of the rebuild estimated to be October 2022. Opportunities that arise during the restoration and rebuild process to improve the layout, design and tenancy of affected shopping centres are being embraced.

SA Corporate's focused divestment program is well advanced in strengthening the Group's financial position and improving the quality of its portfolio such that the Group is well positioned to benefit from what of late is a rapidly changing environment in the real estate sector. The Board and management are therefore confident that the foundation for robust performance is in place for the future.

DISTRIBUTION

The Company is committed to a distribution policy that meets the investment thesis of REIT investors but withholds non-cash income. For SA Corporate, it is therefore the intention to retain from distribution capitalised interest and, where appropriate, non-income-yielding operational capital expenditure. The commitment by SASRIA to process claims is encouraging and the Group's claim is sufficient to cover both repairs to the damaged properties and loss of income. After thorough consideration, the Board concluded on a distribution of R258.4 million being 75% of distributable income amounting to 10.27 cents per share (2020: no interim distribution declared).

CHANGES IN DIRECTORATE

Mr André van Heerden resigned from the Board on 23 August 2021. The Board would like to extend its appreciation to Mr van Heerden for his valuable contribution to the Company.

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

DISTRIBUTION STATEMENT

R'000	Unaudited six months ended 30 June 2021	Unaudited six months ended 30 June 2020	Audited year ended 31 December 2020
DISTRIBUTABLE INCOME			
Rent (excluding straight line rental adjustment)	770 902	744 693	1 530 747
Net property expenses	(181 097)	(202 300)	(455 977)
Property expenses	(465 587)	(477 762)	(993 739)
Recovery of property expenses	284 490	275 462	537 762
Net property income	589 805	542 393	1 074 770
Income from investment in joint ventures	23 392	32 457	56 820
Taxation on distributable income	–	(4 725)	(4 957)
Impairment of unlisted shares	–	(1 336)	(1 735)
Dividends from investments in listed shares	9 205	4 449	9 459
Net finance cost	(238 167)	(243 310)	(474 330)
Interest expense	(245 859)	(269 701)	(515 210)
Interest income	7 692	26 391	40 880
Distribution-related expenses	(39 761)	(18 809)	(58 892)
Distributable income	344 474	311 119	601 135
Interim distributable income	344 474	311 119	311 119
Final distributable income	–	–	290 016
Shares in issue ('000)	2 514 732	2 514 732	2 514 732
Weighted number of shares in issue ('000)	2 514 732	2 514 732	2 514 732
Distributable income per share ("DIPS") (cents)	13.70	12.37	23.90
Interim distributable income per share (cents)	13.70	12.37	12.37
Final distributable income per share (cents)	–	–	11.53
Company specific adjustments to distributable income (R'000)			
Distributable income retained	86 118	311 119	150 284
Distribution	258 356	–	450 851
Distribution per share ("DPS") (cents)	10.27	–	17.93
Interim	10.27	–	–
Final	–	–	17.93

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'000	Unaudited six months ended 30 June 2021	Unaudited six months ended 30 June 2020	Audited year ended 31 December 2020
Assets			
Non-current assets	16 106 785	17 696 124	16 423 260
Investment property	14 453 726	15 803 437	14 653 125
Letting commissions and tenant installations	31 987	19 151	25 558
Investment in joint ventures	950 113	1 103 063	1 020 636
Property, plant and equipment	11 423	13 533	12 036
Intangible assets and goodwill	81 904	81 904	81 904
Right-of-use asset	18 623	24 891	21 567
Investment in listed shares	120 096	109 700	112 800
Other financial assets	3 930	6 313	5 259
Swap derivatives	118 282	251 535	245 382
Deferred taxation	4 677	9 210	8 968
Rental receivable - straight line adjustment	312 024	273 387	236 025
Current assets	765 865	1 079 671	575 691
Inventory	661	412	418
Loans to developers	–	133 822	–
Letting commission and tenant installations	15 315	19 514	17 313
Prepayments	62 125	58 194	55 718
Loans receivable	–	217 338	–
Other financial assets	26 523	5 895	505
Swap derivatives	7 018	14 108	13 290
Trade and other receivables	276 612	382 327	284 721
Rental receivable - straight line adjustment	27 283	31 682	34 085
Taxation receivable	1 733	1 588	1 538
Cash and cash equivalents	348 595	214 791	168 103
Non-current assets held for sale	544 058	568 303	1 034 045
Total assets	17 416 708	19 344 098	18 032 996
Equity and liabilities			
Share capital and reserves	9 881 814	10 655 219	10 092 962
Non-current liabilities	4 871 429	6 731 928	6 162 548
Interest-bearing borrowings	4 591 706	6 035 084	5 573 442
Swap derivatives	261 778	644 238	567 712
Lease liabilities	17 945	52 606	21 394
Current liabilities	2 663 465	1 956 951	1 777 486
Interest-bearing borrowings	2 017 575	986 475	1 103 749
Swap derivatives	141 521	165 849	177 996
Lease liabilities	6 720	19 455	6 372
Taxation payable	–	16	–
Distributions payable	–	239 993	–
Trade and other payables	497 649	545 163	489 369
Total liabilities	7 534 894	8 688 879	7 940 034
Total equity and liabilities	17 416 708	19 344 098	18 032 996

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R'000	Unaudited six months ended 30 June 2021	Unaudited six months ended 30 June 2020	Audited year ended 31 December 2020
Revenue	1 111 270	1 045 421	2 062 186
Expected credit loss	(21 008)	(54 643)	(109 909)
Operating expenses	(495 406)	(453 473)	(972 157)
Operating profit	594 856	537 305	980 120
Foreign exchange adjustments	25 716	(167 542)	(41 008)
Fair value gain/(loss) on swap derivatives	182 580	(355 794)	(361 677)
Fair value loss on investment properties	(239 985)	(811 178)	(1 517 244)
Fair value gain/(loss) on investment in listed shares	7 296	(7 466)	(4 366)
Capital loss on disposal of investment properties and property, plant and equipment	(8 380)	(7 895)	(20 620)
Loss from joint ventures	(39 804)	(42 087)	(61 900)
Impairment of investment in unlisted shares	–	(1 336)	(1 735)
Gain on bargain purchase	–	–	3 580
Dividends from investments in listed shares	7 881	2 303	10 901
Interest income	7 692	26 391	40 880
Interest expense	(247 101)	(272 099)	(520 614)
Profit on reclassification of right-of-use assets and liabilities held for sale	–	–	2 326
Profit/(loss) before taxation	290 751	(1 099 398)	(1 491 357)
Taxation	(4 291)	(1 711)	(2 184)
Profit/(loss) after taxation	286 460	(1 101 109)	(1 493 541)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Foreign exchange adjustments on investment in joint ventures	(32 407)	226 819	55 806
Total comprehensive income/(loss)	254 053	(874 290)	(1 437 735)
Profit/(loss) attributable to:			
Owners of the company	286 460	(1 101 109)	(1 493 541)
Profit/(loss) after taxation	286 460	(1 101 109)	(1 493 541)
Earning/(loss) per share	11.39	(43.79)	(59.39)
Diluted earnings/(loss) per share	11.39	(43.79)	(59.39)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R'000	Unaudited six months ended 30 June 2021	Unaudited six months ended 30 June 2020	Audited year ended 31 December 2020
Share capital and reserves at the beginning of the period	10 092 962	11 991 689	11 991 689
Total comprehensive income/(loss) for the period	254 053	(874 290)	(1 437 735)
Treasury shares repurchased	(16 510)	(16 601)	(17 885)
Share-based payment reserve	2 160	(1 374)	1 098
Distribution paid to shareholders	(450 851)	(444 205)	(444 205)
Share capital and reserves at the end of the period	9 881 814	10 655 219	10 092 962

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

R'000	Unaudited six months ended 30 June 2021	Unaudited six months ended 30 June 2020	Audited year ended 31 December 2020
Operating profit before working capital changes	590 385	594 403	1 149 993
Working capital changes	876	3 875	67 199
Cash generated from operations	591 261	598 278	1 217 192
Operating activities changes	(702 525)	(478 436)	(977 127)
Interest received	7 530	26 239	40 846
Interest paid	(259 152)	(295 202)	(568 413)
Taxation paid	(195)	(5 261)	(5 458)
Distributions paid	(450 708)	(204 212)	(444 102)
Net cash (used in) / from operating activities	(111 264)	119 842	240 065
Net cash from / (used in) investing activities	391 102	(48 369)	129 976
Net cash used in financing activities	(99 346)	(50 235)	(395 491)
Finance lease payments	(4 342)	(11 124)	(21 109)
Draw downs from interest-bearing borrowings	150 000	170 000	300 000
Repayment of interest-bearing borrowings	(206 858)	(192 510)	(656 497)
Repurchase of treasury shares	(16 510)	(16 601)	(17 885)
Unwinding of cross currency swap derivative	(21 636)	–	–
Total cash and cash equivalents movement for the period	180 492	21 238	(25 450)
Cash and cash equivalents at the beginning of period	168 103	193 553	193 553
Cash and cash equivalents at the end of period	348 595	214 791	168 103

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS

for the six months ended 30 June 2021

1. RECONCILIATION OF PROFIT AFTER TAX TO FUNDS FROM OPERATIONS ATTRIBUTABLE TO SHAREHOLDERS

	Unaudited six months ended 30 June 2021		Unaudited six months ended 30 June 2020		Audited year ended 31 December 2020	
	R'000	CPS	R'000	CPS	R'000	CPS
Profit/(loss) after taxation attributable to shareholders	286 460	11.39*	(1 101 109)	(43.79)*	(1 493 541)	(59.39)*
Adjustments for:						
Capital loss on disposal of investment properties and property, plant and equipment	8 380		7 895		20 620	
Fair value loss on investment properties	239 985		811 178		1 517 244	
Fair value loss on investment properties in joint ventures	64 163		74 523		118 700	
Gain on acquisition of joint ventures	–		–		(3 580)	
Headline earnings	598 988	23.82*	(207 513)	(8.25) *	159 443	6.34*

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS

for the six months ended 30 June 2021 *CONTINUED*

2. JUNE 2021 INFORMATION ON REPORTABLE SEGMENTS

R'000	Industrial	Retail	Commercial	Afhco	Group ¹
Revenue	294 774	460 562	30 368	325 566	1 111 270
Rental income (excluding straight line rental adjustment)	196 399	277 756	22 628	274 119	770 902
Net property expenses	(22 868)	(9 783)	(11 423)	(132 681)	(176 755)
Property expenses	(66 196)	(187 684)	(20 786)	(186 579)	(461 245)
Recovery of property expenses	43 328	177 901	9 363	53 898	284 490
Net property income	173 531	267 973	11 205	141 438	594 147
Straight line rental adjustment	55 047	4 905	(1 623)	(2 451)	55 878
Net interest expense	–	–	–	–	(239 409)
Foreign exchange adjustments	–	–	–	–	25 716
Dividend from investment in listed shares	–	–	–	–	7 881
Loss from investment in joint venture	–	–	–	–	(39 804)
Group expenses	–	–	–	–	(55 169)
Capital loss on disposal of investment properties equipment	–	–	–	–	(8 380)
Fair value (loss)/gain on investment properties	(122 072)	40 467	(53 797)	(104 583)	(239 985)
Investment properties	(67 025)	45 372	(55 420)	(107 034)	(184 107)
Straight line rental adjustment	(55 047)	(4 905)	1 623	2 451	(55 878)
Fair value gain on investment in listed shares	–	–	–	–	7 296
Fair value gain on swap derivatives	–	–	–	–	182 580
Taxation	–	–	–	–	(4 291)
Net profit/(loss) attributable to shareholder	106 506	313 345	(44 215)	34 404	286 460
Foreign exchange adjustments on investment in joint ventures	–	–	–	–	(32 407)
Total comprehensive income/(loss)	106 506	313 345	(44 215)	34 404	254 053
Profit/(loss) attributable to Owners of the company	106 506	313 345	(44 215)	34 404	286 460
Total	106 506	313 345	(44 215)	34 404	286 460

¹ Corporate division is included in the Group.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS

for the six months ended 30 June 2021 *CONTINUED*

2. JUNE 2021 INFORMATION ON REPORTABLE SEGMENTS *CONTINUED*

R'000	Industrial	Retail	Commercial	Afhco	Group ¹
Investment properties					
Investment property at fair value ²	3 491 580	6 845 885	406 150	4 591 660	15 335 275
Non-current assets	3 107 366	6 501 403	350 590	4 494 367	14 453 726
At valuation	3 211 450	6 092 185	352 000	4 503 139	14 158 774
Straight-line rental adjustment	(104 084)	(211 782)	(1 410)	(22 032)	(339 308)
Under development	–	621 000	–	13 260	634 260
Current assets ³	278 376	131 989	53 765	75 261	539 391
Classified as held for sale	280 130	132 700	54 150	75 261	542 241
Straight-line rental adjustment – valuation	(1 754)	(711)	(385)	–	(2 850)
Other assets	169 742	463 204	30 591	182 417	2 423 590
Total assets	3 555 485	7 096 596	434 946	4 752 045	17 416 708
Total liabilities	80 059	206 901	22 348	190 969	7 534 894
Acquisitions and improvements	13 048	(55 991)	1 988	145 628	104 673
Acquisitions and improvements	13 048	73 982	1 988	15 655	104 673
Transfers between segments ⁴	–	(129 973)	–	129 973	–
Segment growth rates (%)					
Rental income (excluding straight line rental adjustment)	(4.1)	12.1	(0.9)	1.8	3.5
Property expenses	(14.7)	(3.9)	10.7	9.4	(0.2)
Recovery of property expenses	0.2	1.0	11.1	13.2	3.3
Net property income	1.8	17.5	(10.2)	(3.3)	6.6

¹ Corporate division is included in the Group.

² This excludes straight-line rental assets

³ Current assets include the properties classified as held for sale and the related straight-line rental assets.

⁴ This refers to a retail building that was converted into residential units thus transferring to the Afhco segment.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS

for the six months ended 30 June 2021 *CONTINUED*

3. FAIR VALUE MEASUREMENT

Fair value for financial instruments and investment properties:

IFRS 13 requires that an entity discloses for each class of financial instruments and investment property measured at fair value, the level in the fair value hierarchy into which the fair value measurements are categorised in their entirety. The fair value hierarchy reflects the significance of the inputs used in making fair value measurements. The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

The fair value hierarchy has the following levels:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There have been no transfers between level 1, level 2 and level 3 during the period under review.

	Unaudited six months ending 30 June 2021			
R'000	Fair value	Level 1	Level 2	Level 3
Assets				
Non-current assets				
Listed shares	120 096	120 096	–	–
Investment property	14 793 034	–	–	14 793 034
Investment in joint venture	950 113	–	–	950 113
Swap derivatives	118 282	–	118 282	–
	15 981 525	120 096	118 282	15 743 147
Current assets				
Properties classified as held for sale	542 241	–	–	542 241
Swap derivatives	7 018	–	7 018	–
	549 259	–	7 018	542 241
Total assets measured at fair value	16 530 784	120 096	125 300	16 285 388
Non-current liabilities				
Swap derivatives	261 778	–	261 778	–
Current liabilities				
Swap derivatives	141 521	–	141 521	–
Total liabilities measured at fair value	403 299	–	403 299	–

Details of valuation techniques

The valuation techniques used in measuring fair values at 30 June 2021 for financial instruments and investment property measured at fair value in the statement of financial position, as well as the significant unobservable inputs used are disclosed below. There has been no significant changes in valuation techniques and inputs since 31 December 2020.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS

for the six months ended 30 June 2021 *CONTINUED*

3. FAIR VALUE MEASUREMENT *CONTINUED*

Investment property

An independent external valuator was appointed to conduct the Group's June 2021 property valuations. The Group provided the valuer with property and other information required in the valuation of the properties. Among other inputs, the independent valuer applied current market-related assumptions to the risks in rental streams of properties. Once the valuations had been completed by the independent valuers, it was reviewed internally. The board of directors provides final approval of the valuations. The valuer is a registered valuer in terms of Section 19 of the Property Valuers Professional Act (Act No 47 of 2000).

The independent valuer's details are as follows:

Quadrant Properties, P. Parfitt, NDip (Prop Val), MRICS, Professional Valuer

Unobservable Inputs as considered in mid year 2021 valuation reporting					
1. Material unobservable inputs are detailed as follows:	Retail	Office	Warehouse /Logistics	Residential	Zambia
Expected market rental growth rate	1.50%	-4.00%	2.50%	1.80%	0.00%
Occupancy rate	92.00%	83.00%	94.00%	92.00%	84.00%
Vacancy periods	0-6 months	0-12 months	0-3 months	0-3 months	0-1 month
Rent free periods	0-2 months	0-4 months	0-1 months	0-1 month	0-1 month
Discount rates - weighted average	14.72%	15.65%	14.83%		11.17%
Capitalisation rate - weighted average				10.90%	
Exit capitalisation rates	9.69%	10.68%	9.83%		9.86%
Expected expense growth - municipal	8.80%	8.80%	8.80%	8.80%	1.40%
Expected expense growth - controllable	5.50%	5.50%	5.50%	5.50%	1.40%

Valuation methodology

The valuation of all revenue producing real estate is calculated by determining future contractual and market related net income streams, as well as a terminal realisation value for the property and discounting this income stream to calculate a net present value. This is performed over a ten-year period in order to reasonably revert all cash flow to a market-related rate. The terminal value (residual value) is calculated by capitalising the eleventh years net revenue and discounting this value to present. The discount rate is determined as a forward yield rate (capitalisation rate) and a risk is added to it (as related to the nature and contracts of the property) and forward growth rate associated with the cash flow as related to the market. There are reasonable market observable transactions to support the capitalisation rate, growth rate and risk considerations as applied. SAPOA also publishes data tables on which these assumptions may be benchmarked. Adjustments are made to the present value calculated, to adjust for immediate capital expenditure requirements, as would be reasonably considered between a willing buyer and a willing seller.

Sensitivity of fair values to changes in unobservable inputs

Valuation of investment properties are sensitive to changes in inputs used in determining its fair value. The table below illustrates the sensitivity in fair value to changes in unobservable inputs, whilst holding the other inputs constant.

	Growth rate		
	-0.50% R million	Current R million	0.50% R million
Discount rate			
-0.50%	16 123	15 665	15 214
Current	15 788	15 335	14 898
0.50%	15 461	15 019	14 591

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS

for the six months ended 30 June 2021 *CONTINUED*

3. FAIR VALUE MEASUREMENT *CONTINUED*

Other financial instruments

The swap derivatives are valued based on the discounted cash flow method. Future cash flows are estimated based on forward exchange and contracted interest rates and, where these are not contracted, from observable yield curves at the end of the reporting period, 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.

4. INVESTMENT PROPERTY

The table below analyses the movement of investment property for the period under review.

R'000	Unaudited six months ended 30 June 2021	Unaudited six months ended 30 June 2020	Audited year ended 31 December 2020
Investment property (including straight-lining adjustment)			
Carrying value at beginning of the period	14 653 125	16 788 656	16 788 656
Acquisitions and improvements	104 673	145 636	474 833
Disposals	(24 183)	(5 860)	(152 583)
Fair value loss	(249 607)	(811 178)	(1 517 244)
Transferred to non-current assets for sale	(30 282)	(313 817)	(940 537)
Carrying value at end of the period	14 453 726	15 803 437	14 653 125
Non-current assets held for sale (investment property, including straight-line rental adjustment)			
Carrying value at beginning of the period	1 030 281	304 510	304 510
Disposals	(514 623)	(91 985)	(217 669)
Transferred from investment property	26 583	313 817	943 440
Carrying value at end of the period	542 241	526 342	1 030 281

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS for the six months ended 30 June 2021 *CONTINUED*

5. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Group had capital commitments of R195.8 million as at 30 June 2021 (December 2020: R396.0 million).

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

R'000	Unaudited six months ended 30 June 2021	Unaudited six months ended 30 June 2020	Audited year ended 31 December 2020
Guarantees			
Developer holding a non-controlling interest in a subsidiary	–	143 100	–
Investment in joint venture's borrowings ¹	270 949	329 097	278 712
Total	270 949	472 197	278 712

¹ Subsequent to the reporting period a USD 13.6 million facility was refinanced without recourse to SA Corporate thereby reducing the guarantee to R173.6 million.

6. EVENTS AFTER THE REPORTING PERIOD

Impact of civil unrest in South Africa (non-adjusting events)

During July 2021 several properties, owned by the Group, were damaged (to varying extents) during the civil unrest that erupted in KwaZulu-Natal and certain parts of Gauteng. Total damages, including loss of income, are estimated at R558.2 million, with R557.5 million relating to certain of the Group's retail shopping centres in KwaZulu-Natal as detailed in a SENS announcement released on 13 July 2021, R700 000 in respect of its industrial properties and R75 000 in respect of Afhco's inner city properties in Johannesburg. The Group's SASRIA insurance cover is sufficient to cover this claim.

Future valuations in respect of the four KwaZulu-Natal properties could typically be affected by the following:

- The ability of existing tenants to continue trading post the impact of the unrest, which may have an effect on occupancy rates.
- The ability of potential tenants to honour lease commitments following the unrest.
- The impact of the downtime during restoration of the properties on tenant collections.
- Longer vacancy periods than currently assumed arising from the restoration period.

Given the uncertainty of the impact of the above on the operations, forecast and unobservable inputs, future results may differ from that applied in the current valuation for the four properties and consequently caution should be exercised in placing reliance on the valuation of these properties. The damage to these properties represents 2% of the Group's total value of investment property and estimated loss of rental for the remainder of 2021 represents 6% of the H1 revenue.

There is also no major ECL impact expected, as a result of the unrest, as other than Springfield Value Centre, trading is expected to resume within three months in all other properties. A significant portion of Springfield Value Centre is to be rebuilt in phases with the anticipated completion date of the final phase estimated to be October 2022. The Group also has adequate loss of income insurance in place to cover future rental income that may be lost.

Given the above, and the SASRIA insurance in place to cover the damaged assets and loss of rental, we do not expect the unrest to have a significant impact on the property valuations, the debt covenants and the ability of the Group to continue as a going concern.

DISTRIBUTIONS

PAYMENT OF DISTRIBUTION AND IMPORTANT DATES

Notice is hereby given of the declaration of distribution number 12 in respect of the income distribution period 1 January 2021 to 30 June 2021. The payment amounts to 10.27368 cps (June 2020: 0 cps). 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, 19 October 2021
Shares will trade ex distribution	Wednesday, 20 October 2021
Record date to participate in the distribution	Friday, 22 October 2021
Payment of distribution	Monday, 25 October 2021

Share certificates may not be dematerialised or rematerialised between Wednesday, 20 October 2021 and Friday, 22 October 2021, 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 above-mentioned documents to be submitted prior to payment of the distribution, if such documents have not already been submitted.

DISTRIBUTIONS CONTINUED

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. Distributions received by a non-resident from a REIT are 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 8.21894 cps. 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 an 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

16 September 2021

Sponsor: Nedbank Corporate and Investment Banking, a division of Nedbank Limited

ANNEXURE TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS for the six months ended 30 June 2021

REIT RATIOS

R'000	Unaudited six months ended 30 June 2021	Unaudited six months ended 30 June 2020	Audited year ended 31 December 2020
SA REIT funds from operations (SA REIT FFO)			
Profit/(loss) after taxation attributable to shareholders	286 460	(1 101 109)	(1 493 541)
Adjusted for:			
Accounting/specific adjustments:	74 920	1 235 657	2 031 562
Fair value adjustments to:			
Investment properties	239 985	811 178	1 517 244
Investment properties in joint ventures	64 163	74 523	118 700
Swap derivatives	(182 580)	355 794	361 677
Investment in listed shares	(7 296)	7 466	4 366
Gain on acquisition of joint ventures	–	–	(3 580)
Depreciation and amortisation of intangible assets	3 042	3 626	6 563
Dividend from investment in listed shares not yet declared	1 324	2 146	(1 442)
Non-distributable expenses	8 659	8 389	15 545
Non-distributable (income)/expenses on investments in joint ventures	(967)	21	20
Deferred taxation	4 291	(3 014)	(2 773)
IFRS 16 Lease expense	(4 342)	(11 125)	(21 109)
IFRS 16 Depreciation on lease asset	2 944	9 521	17 348
IFRS 16 Interest on lease liability	1 242	2 398	5 404
Debt related costs	333	–	9 602
Gains on reclassification of assets to held for sale	–	–	(2 326)
Straight-lining operating lease adjustment	(55 878)	(25 266)	6 323
Adjustments arising from investing activities:	8 380	7 895	20 620
Loss on disposal of:			
Investment property and property, plant and equipment	8 380	7 895	20 620
Foreign exchange items:	(25 286)	168 676	42 494
Foreign exchange (gains)/losses relating to capital items – realised and unrealised	(25 286)	168 676	42 494
SA REIT FFO:	344 474	311 119	601 135
Number of shares outstanding at end of period (net of treasury shares)	2 488 241	2 495 279	2 494 945
SA REIT FFO per share:	13.84	12.47	24.09
Company-specific adjustments (per share)	(3.57)	(12.47)	(6.16)
Distribution per share:	10.27	–	17.93

ANNEXURE TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS for the six months ended 30 June 2021 *CONTINUED*

R'000	Unaudited six months ended 30 June 2021	Unaudited six months ended 30 June 2020	Audited year ended 31 December 2020
Reconciliation of SA REIT funds from operations (SA REIT FFO) to cash generated from operations			
SA REIT FFO	344 474	311 119	601 135
Adjustments:			
Interest received	(7 692)	(26 391)	(40 880)
Interest expense	247 101	272 099	520 614
Amortisation of tenant installation and letting commission	13 204	11 624	21 285
Non-cash movement in joint ventures	(24 359)	(32 436)	(56 800)
Dividend from listed investments not yet declared	(1 324)	(2 146)	1 442
Taxation paid	–	4 725	4 957
Non-distributable (expenses)/recoveries	(4 925)	317	(9 085)
Other non-cash items	23 906	55 492	107 325
Working capital changes:			
Increase in trade and other receivables	(20 312)	(123 495)	(115 641)
Increase in Inventory	(243)	(79)	(85)
Increase in trade and other payables	21 431	127 449	182 925
Cash generated from operations	591 261	598 278	1 217 192
SA REIT Net Asset Value (SA REIT NAV)			
Reported NAV attributable to the parent	9 881 814	10 655 219	10 092 962
Adjustments:			
Dividend declared ¹	(258 356)	–	(450 851)
Goodwill and intangible assets	(81 904)	(81 904)	(81 904)
Deferred tax	(4 677)	(9 210)	(8 968)
SA REIT NAV	9 536 877	10 564 105	9 551 239
Shares outstanding			
Number of shares in issue at period end (net of treasury shares)	2 488 241	2 495 279	2 494 945
Dilutive number of shares in issue	2 488 241	2 495 279	2 494 945
SA REIT NAV per share (cents):	383	423	383

¹ H1 2021 distribution declared on 14 September 2021

ANNEXURE TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS for the six months ended 30 June 2021 *CONTINUED*

R'000	Unaudited six months ended 30 June 2021	Unaudited six months ended 30 June 2020	Audited year ended 31 December 2020
SA REIT cost-to-income ratio			
Expenses:			
Operating expenses per IFRS income statement (includes municipal expenses) ¹	460 923	468 163	974 157
Administrative expenses per IFRS income statement ²	52 165	37 233	100 672
<i>Exclude:</i>			
Depreciation expense in relation to property, plant and equipment of an administrative nature and amortisation expense in respect of intangible assets	(5 986)	(13 147)	(24 288)
Operating costs	507 102	492 249	1 050 541
Rental income			
Contractual rental income per IFRS income statement (excluding straight-lining)	770 902	744 693	1 530 747
Utility and operating recoveries per IFRS income statement	284 490	275 462	537 762
Gross rental income	1 055 392	1 020 155	2 068 509
SA REIT cost-to-income ratio	48.0%	48.3%	50.8%
SA REIT administrative cost-to-income ratio			
Expenses			
Administrative expenses as per IFRS income statement	52 165	37 233	100 672
Administrative costs			
Rental income			
Contractual rental income per IFRS income statement (excluding straight-lining)	770 902	744 693	1 530 747
Utility and operating recoveries per IFRS income statement	284 490	275 462	537 762
Gross rental income	1 055 392	1 020 155	2 068 509
SA REIT administrative cost-to-income ratio	4.9%	3.6%	4.9%

¹ Includes expected credit loss

² Excludes audit fees and debt related costs

ANNEXURE TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS for the six months ended 30 June 2021 *CONTINUED*

R'000	Unaudited six months ended 30 June 2021	Unaudited six months ended 30 June 2020	Audited year ended 31 December 2020
SA REIT GLA vacancy rate			
Gross lettable area of vacant space	30 711	51 122	33 013
Gross lettable area of total property portfolio	841 554	1 031 487	934 824
SA REIT GLA vacancy rate ¹	3.6%	5.0%	3.5%
Cost of debt			
Variable interest-rate borrowings:			
Floating reference rate plus weighted average margin	5.43%	5.73%	5.24%
Fixed interest-rate borrowings:			
Weighted average fixed rate	– ²	6.88%	6.88%
Pre-adjusted weighted average cost of debt	5.43%	5.74%	5.25%
Adjustments:			
Impact of interest rate derivatives	2.35%	1.69%	2.50%
Impact of cross-currency interest rate swaps	(0.03%)	(0.09%)	(0.05%)
Amortised transaction costs imputed into the effective interest rate	0.13%	0.12%	0.13%
All-in weighted average cost of debt	7.88%	7.46%	7.83%

¹ Excludes the AFHCO portfolio which is based on units

² The fixed rate debt was repaid during the period

ANNEXURE TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS for the six months ended 30 June 2021 *CONTINUED*

R'000	Unaudited six months ended 30 June 2021	Unaudited six months ended 30 June 2020	Audited year ended 31 December 2020
SA REIT loan-to-value			
Gross debt	6 570 706	7 021 559	6 641 325
Less: Net cash and cash equivalents	(244 631)	(103 578)	(57 329)
Total cash and cash equivalents	(348 595)	(214 791)	(168 103)
Less: Tenant deposit accounts	103 964	111 213	110 774
Add:			
Cross-currency derivatives	31 163	120 781	61 173
Interest rate swap derivatives	246 837	423 662	425 864
Net debt	6 604 075	7 462 424	7 071 033
Total assets per condensed consolidated statement of financial position	17 416 708	19 344 098	18 032 996
Less:			
Cash and cash equivalents	(348 595)	(214 791)	(168 103)
Derivative financial assets	(125 300)	(265 643)	(258 672)
Goodwill and intangible assets	(81 904)	(81 904)	(81 904)
Deferred tax	(4 677)	(9 210)	(8 968)
Trade and other receivables	(338 737)	(440 521)	(340 439)
Current tax	(1 733)	(1 588)	(1 538)
Inventory	(661)	(412)	(418)
Carrying amount of property-related assets	16 515 101	18 330 029	17 172 954
SA REIT loan-to-value ("SA REIT LTV")	40.0%	40.7%	41.2%

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

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North Bank Lane
Century City
7441
Tel: 021 529 8410

Registered auditors

PricewaterhouseCoopers Inc.
5 Silo Square
V&A Waterfront
Cape Town
8002

Company secretary

J Grove
South Wing
First Floor
Block A
The Forum
North Bank Lane
Century City
7441

Transfer secretaries

Computershare Investor Services Proprietary 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 Moselehi (Lead Independent Director)
TR Mackey (Chief Executive Officer)*
AM Basson (Chief Financial Officer)*
RJ Biesman-Simons
N Ford-Hoon (Fok)
EM Hendricks
GJ Heron
S Mafooyane (Appointed 11 February 2021)
A van Heerden (Resigned 23 August 2021)
* *Executive*



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