

TARGET DISTRIBUTION ACHIEVED FOR THE YEAR **12.07cps** (2016: 11.75cps)

WALE INCREASED FROM **5.8 years to 7.8 years** (post transfers)

DIVIDEND YIELD OF **8.75%** ANNUALISED – SEM (10% on the JSE)

WACD at **5.78%** (2016: 6.22%)

PORTFOLIO OCCUPANCY MAINTAINED AT **97%**

SUCCESSFULLY RAISED **US\$156m** ADDITIONAL CAPITAL

AUDITED ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017 (the “financial statements”)

CONDENSED CONSOLIDATED SEGMENTAL ANALYSIS		Audited as at 30 June 2017	Audited as at 30 June 2016
		\$	\$
Profit for the period before tax			
Morocco		(204,659)	(4,296,926)
Mozambique		17,262,756	12,325,295
Zambia		5,556,569	2,638,296
Kenya		1,171,584	238
Mauritius		(5,567,374)	(3,254,391)
		18,218,876	7,412,512
Total assets			
Morocco		117,459,022	114,297,213
Mozambique		185,543,263	148,641,297
Zambia		82,908,395	44,656,394
Kenya		6,446,939	4,529,018
Mauritius		192,797,842	31,705,227
		585,155,461	345,829,149

GRIT REAL ESTATE INCOME GROUP LIMITED (previously Mara Delta Property Holdings Limited) (Registered by continuation in the Republic of Mauritius) (Registration number 128881 C1/GBL) SEM share code: DEL.N0000 JSE share code: GTR ISIN: MU0473N00036 ("Grit" or "the Company")

DIRECTORS' COMMENTARY

NATURE OF THE BUSINESS

Grit is a pan African property income fund focusing on African real estate assets (excluding South Africa), underpinned by predominantly US Dollar and Euro denominated medium to long term leases with high quality counterparties delivering sustainable income. Listed in July 2014, the Company holds dual primary listings on the Stock Exchange of Mauritius ("SEM") and on the main board of the Johannesburg Stock Exchange ("JSE").

The Group's strategy remains to expand its property portfolio throughout targeted countries in Africa, with assets that will provide sustainable long term, hard currency based income from high quality counterparties with a core focus on enhancing shareholder value and dividend yield.

REVIEW

The 2017 financial results have shown a solid return with the resilient property portfolio delivering an increase in distribution of 2.7% on the prior year's result for a total distribution per share of US\$12.07 cents per share ("cps") for 2017.

While the recent successful rights offer and efficient deployment of the proceeds has dominated the 2017 financial year, we should not lose sight of the existing portfolio and other acquisitions completed during the year and the impact these acquisitions have made in creating a diverse portfolio of assets across a number of jurisdictions and asset classes. The successful entrance into the Euro based Mauritius hospitality assets and the continued ability to provide true hard currency based income streams have further de-risked the portfolio through diversification.

Combined weighted average lease expiry ("WALE") has increased from 5.8 years to 6.4 years at the reporting date. Following the transfers of the Imperial Warehouse and Beachcomber Hospitality Investment ("BHI") transactions, in August 2017 WALE currently stands at a healthy 7.8 years. Although WALE has increased substantially as a result of the new acquisitions, the continuing asset management of the existing portfolio has also borne fruit with the finalisation of a number of lease renewal negotiations, most notably the Vodacom and KPMG leases in Mozambique (both with 10 year renewals negotiated). WALE on the existing portfolio has increased from 5.8 years in June 2016 to 6.1 years at 30 June 2017.

The capital raised from the Rights Issue was utilised to finalise the following (including payments made after year end):

	USD m
BHI Transaction (44.4% of three Beachcomber resorts) (EUR5m paid after year-end)	28.7
Vale Accommodation Compound (final payment) (US\$4.1m paid after year-end)	18.2
Settlement of the equity revolver facilities	17.7
Cosmopolitan Mall (final payment)	15.7
Imperial Warehouse (final payment) (US\$12.0m paid after year-end)	13.1
Anadarko Phase II Construction	6.6
Share Issue Expenses (US\$3m paid after year-end)	4.6
Investment in 6.25% of Letolie La Rona Limited (US\$3.8m paid after year-end)	3.8
Investment in Gateway Delta Development (initial investment)	2.0
TOTAL CAPITAL DEPLOYED	110.4

The Company has further capital commitments towards BHI of Euro 3.2m (in November 2017 following the completion of the additional 40 rooms at Le Victoria Hotel and Spa) as well as towards Gateway Delta Developments based on capital calls following the execution of their seed projects.

The following assets were acquired during the year:

Property Investment	Date Transferred	Country	Sector	USD m
PROPERTIES TRANSFERRED				
Tamassa Hotel	30-Mar-17	Mauritius	Hospitality	43.3
Mall de Tete	01-Mar-17	Mozambique	Retail	24.2
Cosmopolitan Mall	30-Jun-17	Zambia	Retail	37.2
				104.7

ASSETS UNDER CONSTRUCTION

Anadarko Phase II	Construction due to complete November 2017	Mozambique	Office	7.6
Anfa Place Shopping Centre	Construction due to complete November 2018	Morocco	Retail	5.2
				12.8

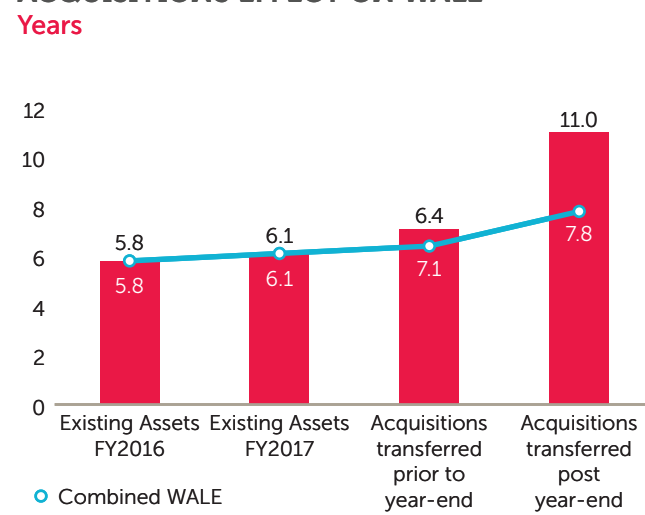
INVESTMENT UNDER TRANSFER

44.4% in Beachcomber Hospitality Investments	1 December 2016 (transfer was concluded on 11 August 2017)	Mauritius	Hospitality	47.4
Imperial Distribution Centre	1 December 2016 (transfer was concluded on 16 August 2017)	Kenya	Light Industrial	3.1
Vale Accommodation Compound	1 October 2015 (transfer expected 30 September 2017)	Mozambique	Corporate accommodation	15.2
				65.7
TOTAL INVESTMENTS IN 2017				183.2

Note 1: \$98.7m included in property investments, \$37.1m included in investments in associates and \$47.4m included in loans receivable.

Total investment properties have increased from US\$295m in 2016 to US\$492m in 2017. Post the transfers concluded in August 2017, total property investments now stands at US\$546m.

ACQUISITIONS EFFECT ON WALE



FINANCIAL RESULTS

GRIT achieved an increase in distribution of 2.7% for the financial year, with a full year dividend of US\$12.07cps versus US\$11.75cps in 2016. Distributable income increased 42.3% from US\$10.63m to US\$15.13m.

Rental income including associates increased 14%, with such increase being attributable to rental escalations, the full year impact of properties acquired in 2016 as well as the income from both Mall de Tete and the Lux Tamassa resort that transferred in March 2017. Although vacancies across the portfolio remain low at 3%, the strategic vacancies within Anfa Place Shopping Centre (in line with the upgrade to the centre) limited the increase in overall revenue. Anfa's reduced rentals impacted rental income by US\$1.0m against 2016.

When comparing monthly rental income on a like for like basis, monthly rental income increased by 28.2%. On further analysis, existing properties excluding Anfa Place Shopping Centre increased by 4.5% while Anfa Place Shopping Centre decreased by 9.8%, resulting in total existing properties rentals reducing by 1.1%. New acquisition accounted for an increase of 29.4%. Properties transferred post year end will increase monthly rental by an additional 30.4%.

Property operating costs including associates increased by 28% with the inclusion of Mall de Tete and Tamassa Resort in March 2017 and the full year impact of 2016 acquisitions. A contributing factor to the increase in operating costs was the provision for doubtful debt of US\$709k. Provision for doubtful debts comprises mainly of Clear Ocean Hotel and Resort Limited (US\$311k), a tenant in the Barclays House Building in Ebene, Mauritius following the courts granting of a provisional liquidation order over the tenant post year end.

As a result of the above, total Operating cost percentage (including associated companies) rose by 3.0% to 27.5%.

Although administration expenses increased by 45.2% over the prior year, administration expenses dropped to 1.1% of total property investments compared to the prior year's 1.3%. The increased staff numbers to manage the increasing property portfolio, and the costs associated with transferring the head office to Mauritius contributed to the increased costs. With the Company's active on site management approach to asset and property management in the various jurisdictions, the Company has attracted a number of highly skilled and experienced staff to manage the portfolio. The head count of staff has increased from 30 in 2016 to 51 by the end of 2017.

As the investment into BHI (the acquisition of the three Beachcomber assets in Mauritius) in December 2016 was initially structured as a convertible loan, interest income has increased significantly in 2017. On 11 August 2017, following the approval by the necessary regulatory authorities, the EUR12.5m loan was converted to equity, resulting in 44.4% of the shares in BHI being issued to GRIT. Future income on this deal will be recorded under "Share of Profits from Associates".

As a result of the stabilized exchange rate between the US Dollar and the Mozambique Meticil in December 2016, realized exchange gains have reduced by 42.7% from the previous year. The Meticil versus the USD has improved from a maximum of MZN78.50 during the year to MZN59.09 by 30 June 2017 and as such has limited our ability to profit from the strong USD position we have in Mozambique.

FINANCING

As financing is integral to our business model, the Group has continued to develop strong relationships with financiers. The multi-banked approach adopted by GRIT has resulted in the introduction of new banking relationships with Bank of China (now our biggest financier), State Bank Mauritius as well as Nedbank.

The total debt by financier is now as follows:

Debt per Financier	2017	2016	Movement		
Bank of China	52.1	22.0%	-	0.0%	100%
Investec	50.1	21.3%	51.7	31.6%	(2%)
Standard Bank	48.4	20.4%	60.1	36.7%	(19%)
State Bank Mauritius	35.7	15.0%	-	0.0%	(100%)
IfAsia Bank	19.3	8.1%	20.0	12.2%	3%
Rockcastle / Standard Bank	13.0	5.5%	19.0	11.6%	(32%)
Barclays	7.4	3.1%	7.9	4.8%	(6%)
Nedbank South Africa	5.7	2.4%	-	0.0%	100%
Nebanco Unico	3.0	1.3%	2.9	1.8%	5%
Housing Finance Corporation	2.0	0.8%	2.0	1.2%	0%
	237.4	100.0%	163.6	100.0%	45%

NOTE: Above figures include loans within associated companies. During the year under review, the Company successfully raised debt totalling US\$106.5million. A breakdown of the new debt is as follows:

Financier	Rate	Currency	Term	Related Property	USD m
Bank of China	6 Month Libor + 5.1%	USD	5 years	Mall de Tete	13.3
Investec	5.0%	USD	5 years	Makluba/Kafubu Mall	38.9
Nedbank Limited	3 Month libor + 10.57%	USD	1 year	Bollere Warehouse	5.6
State Bank of Mauritius	3 Month euro libor + 3.9%	EUR	1 year	Beachcomber	10.2
State Bank of Mauritius	Fixed 3.75%	EUR	3 years	Tamassa Resort	25.4
					106.5

Debt continues to be matched to the underlying cashflows of the assets. The increase in the Euro based assets has resulted in an increase in the proportion of debt transactions concluded in Euro's.

With the inclusion of the Euro based loans over the period, the Company has continued to reduce the weighted average cost of debt ("WACD"), despite the 0.48% increase in the US\$ three-month Libor, with the weighted average cost of debt being reduced from 6.22% in 2016 to 5.78% for 2017.

Loan to value at 30 June 2017 reduced to 41.6% from 48.9% in 2016. Following the transfer of the BHI, Imperial and the Vale Accommodation Compound and the resultant debt being paid out and cash utilised to make the final payments, loan to value will normalise at c48.8%.

SUBSEQUENT EVENTS

Other than those items mentioned above and contained in SENS announcements, no material event took place between the 30 June 2017 and the reporting date.

OUTLOOK

Whilst the board recognises the complexity and risk in Africa, the Group has positioned itself with a skilled and experienced management team and platform to capitalise on the significant opportunities on the continent. The distribution growth forecast to be between 3% to 5% in US Dollars.

Any forecast included above has been based on the assumption of stable regional, political and economic environments as well as a stable global macro-economic environment. This forecast is the responsibility of the Grit Board and has not been reviewed or reported on by the auditors of the Company.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Audited for the Year ended 30 June 2017	Audited for the Year ended 30 June 2016
	\$	\$
Gross rental income	24,329,570	20,878,458
Straight-line rental income accrual	1,132,143	2,217,399
Revenue	25,461,713	23,095,857
Share of profits from associates	7,621,227	3,219,866
Property operating expenses	(7,170,116)	(5,769,022)
Net property income	25,916,824	20,546,699
Other income	3,274,668	2,935,782
Administrative expenses	(5,601,436)	(3,856,608)
Profit from operations	23,586,056	19,623,873
Acquisition fees and set-up costs	(1,166,356)	(1,838,800)
Fair value adjustment on investment property	2,936,120	(3,759,543)
Fair value adjustment on financial instruments	103,624	(99,198)
Gain from bargain purchase	957,837	250,515
Foreign currency gains	778,640	2,763,774
Profit before interest and taxation	27,195,921	16,940,621
Interest income	1,995,516	1,70,158
Finance costs	(10,970,561)	(9,698,267)
Profit before tax	18,218,876	7,412,512
Current tax expense	(32,326)	(1,493,959)
Deferred tax expense	(454,865)	(3,944,764)
Profit after tax	17,731,685	1,973,789
Other comprehensive income		
Profit on translation of functional currency	1,065,619	783,491
Total comprehensive income	18,797,304	2,757,280
Reconciliation of basic earnings and headline earnings		
Basic earnings	17,731,685	1,973,789
Fair value adjustments on investment property (net of deferred taxation)	(2,936,120)	3,759,543
Gain from bargain purchase	(957,837)	(250,515)
Share of fair value adjustment on investment property accounted by associate	(4,181,163)	(1,418,401)
Fair value adjustment on financial instruments	(103,624)	99,198
Headline earnings attributable to shareholders	9,552,941	4,163,614

Reconciliation of headline earnings and distribution

	Unaudited as at 30 June 2017	Unaudited as at 30 June 2016
Headline earnings attributable to shareholders	9,552,941	4,163,614
Less: Straight line rental income accrual (net of deferred taxation)	(939,219)	(1,682,107)
Unrealised foreign currency exchange differences	1,209,426	725,284
Acquisition costs of investment property	778,404	990,338
Share in income from associates	1,786,329	1,418,401
Deferred taxation - other	273,057	3,409,472
Setup and merger costs	391,952	848,462
Amortisation of intangible asset	25,786	-
Antecedent dividend	2,220,889	635,547
Profits (retained) / released	(166,811)	120,535
Distributable earnings attributable to shareholders	15,128,754	10,629,546
Less: Distribution declared	-	-
Interim	6,841,367	5,046,135
Clean-out dividend	5,409,784	-
Final (declared after 30 June)	2,877,603	5,583,411
Distributable earnings attributable to shareholders	15,128,754	10,629,546
Number of shares in issue at interim	111,787,042	81,785,009
Number of shares in issue at year end	208,514,261	100,061,130
Weighted average number of shares	110,435,576	81,725,430
Earnings per share		
Basic and diluted earnings per share (cents)	16.06	2.42
Headline diluted earnings per share (cents)	8.65	5.09

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Audited As at 30 June 2017	Audited As at 30 June 2016
	\$	\$
Assets		
Non-current assets		
Investment property	351,822,336	248,545,665
Fair value of property portfolio	345,850,499	243,705,971
Straight line rental income accrual	5,971,837	4,839,694
Property, plant and equipment	1,932,521	803,240
Investments in associates	89,049,264	45,945,339
Intangible assets	5,692,190	5,699,199
Related party loans	12,722,604	978,277
Loans receivable	66,740,037	5,984,142
Deferred tax	6,174,482	-
Total non-current assets	534,133,434	307,955,862
Current assets		
Current tax receivable	438,831	-
Trade and other receivables	18,656,708	13,750,180
VAT	7,259,812	4,351,286
Cash and cash equivalents	24,666,676	17,771,821
Total current assets	51,022,027	35,873,287
Total assets	585,155,461	343,829,149
Equity and liabilities		
Total equity attributable to equity holders		
Share capital	319,978,513	171,995,297
Foreign currency translation reserve	1,063,721	(1,898)
Antecedent dividend reserve	1,260,656	635,547
Retained loss	(7,578,171)	(9,256,498)
Total equity attributable to equity holders	314,724,719	163,372,448
Liabilities		
Non-current liabilities		
Preference shares	12,840,000	-
Interest-bearing borrowings	187,447,310	127,070,183
Secured finance leases	171,247	-
Deferred tax	896,773	835,646
Total non-current liabilities	201,357,330	127,905,829
Current liabilities		
Interest-bearing borrowings	47,959,452	34,548,386
Secured finance leases	44,566	-
Trade and other payables	19,201,998	15,029,156
Related party loans	1,365,000	1,365,000
Withholding tax payable	45,460	33,180
Current tax payable	-	1,020,938
Financial instruments	18,724	554,212
Cash and cash equivalents	438,212	-
Total current liabilities	69,073,412	52,550,872
Total liabilities	270,43	