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**GRIT REAL ESTATE INCOME GROUP LIMITED**

(previously known as Mara Delta Property Holdings Limited)

(Registered by continuation in the Republic of Mauritius)

(Registration number: C128881 C1/GBL)

SEM share code: DEL.N0000

JSE share code: GTR

ISIN: MU0473N00036

("Grit" or the "Company")

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**EXPLANATORY STATEMENT TO GRIT SHAREHOLDERS**

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**This document serves as an Explanatory Statement issued in terms of the Securities (Purchase of own Shares) Rules 2008 in connection with the proposed Buyback.**

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**JSE sponsor and  
corporate advisor**



**SEM authorised representative  
and sponsor and Mauritian  
transaction advisor**



**Company secretary**



Date of issue: 2 March 2018

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## CORPORATE INFORMATION

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### **SEM authorised representative and sponsor and Mauritian transaction advisor**

Perigeum Capital Limited  
Level 4, Alexander House  
35 Cybercity  
Ebene, 72201  
Mauritius

### **Company Secretary and registered office**

Intercontinental Fund Services Limited  
Level 5, Alexander House  
35 Cybercity  
Ebene, 72201  
Mauritius

### **Registrar and transfer agent in Mauritius**

Intercontinental Secretarial Services Limited  
Level 3, Alexander House  
35 Cybercity  
Ebene, 72201  
Mauritius

### **Current Directors**

Sandile Nomvete (*chairman*)  
Bronwyn Corbett\*  
Peter Todd (*lead independent*)  
Chandra Gujadhur+  
Ian Macleod+  
Leon van de Moortele\*  
Matshepo More  
Nomzamo Radebe  
Catherine McIlraith+  
Maheshwar Doorgakant#  
*\*Executive director*  
*+Independent*  
*#Alternate to Mr Gujadhur*

### **JSE sponsor and corporate advisor**

PSG Capital Proprietary Limited  
(Registration number 2006/015817/07)  
1st Floor, Ou Kollege Building  
35 Kerk Street, Stellenbosch, 7600  
South Africa  
(PO Box 7403, Stellenbosch, 7599)  
and at  
2nd Floor, Building 3, 11 Alice Lane  
Sandhurst, Sandton 2196  
South Africa  
(PO Box 650957, Benmore 2010)

### **South African Transfer Secretaries**

Computershare Investor Services Proprietary Limited  
(Registration number 2004/003647/07)  
Rosebank Towers  
15 Biermann Avenue  
Rosebank, 2196  
(PO Box 61051, Marshalltown, 2107)

### **Independent Auditors and Accountants**

BDO & Co  
10 Frere Felix de Valois Street  
Port-Louis  
Mauritius

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## IMPORTANT DATES AND TIMES FOR SHAREHOLDERS

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The definitions and interpretations commencing on page 3 of this Explanatory Statement apply, *mutatis mutandis*, to this section.

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**2018**

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Record date to receive the Explanatory Statement	16 February
Explanatory Statement sent to Shareholders	2 March
Commencement Date	6 March
Closing Date	17 June

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**Note:**

The above dates and times are subject to amendment. Any such amendment will be announced on the SEM and SENS.

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## DEFINITIONS AND INTERPRETATIONS

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In this document, the following definitions apply throughout unless otherwise stated:

<b>“Buyback”</b>	The purchase by the Company of the Buyback Shares held on the Mauritian Register at the SEM Buyback Price and the general repurchase by the Company of the Buyback Shares held on the South African Register at the JSE Buyback Price, during the Buyback Period.
<b>“Buyback Period”</b>	The period of time during which the Buyback will be effected being from the Commencement Date until the Closing Date but excluding the Excluded Period.
<b>“Buyback Price”</b>	The JSE Buyback Price and the SEM Buyback Price.
<b>“Buyback Rules”</b>	The rules made by the SEM under Section 13(2)(f) of the Securities Act 2005 of Mauritius which rules may be cited as the Securities (Purchase of Own Shares) Rules 2008.
<b>“Buyback Shares”</b>	Up to 1 750 000 Ordinary Shares of the Company (and a “Buyback Share” is a reference to each of the aforesaid Ordinary Shares) representing around 0.84% of the Ordinary Shares in issue as at the Last Practicable Date.
<b>“CDS”</b>	Central Depository and Settlement Co. Ltd established under the Securities (Central Depository, Clearing and Settlement) Act 1996 of Mauritius.
<b>“Closing Date”</b>	17 June 2018
<b>“Commencement Date”</b>	6 March 2018 being the commencement of the Buyback unless amended in accordance with the provisions of section 6 (vii) of this document.
<b>“Company” or “Grit”</b>	Grit Real Estate Income Group Limited (Registration number C128881 C1/GBL), a public company limited by shares registered by continuation in accordance with the laws of Mauritius.
<b>“Constitution”</b>	The constitution of the Company dated 24 November 2017.
<b>“Directors” or “Board”</b>	The Directors of the Company.
<b>“Excluded Period”</b>	The period(s) during which the Buyback is excluded in terms of the Buyback Rules or the Listings Requirements including, without limitation, rule 4 of the Buyback Rules, i.e. the Company shall not purchase its own shares within 15 days prior to the publication of its preliminary, annual or interim results.
<b>“Explanatory Statement”</b>	The explanatory statement required to be sent to Shareholders under the Buyback Rules in connection with the Buyback as contained in the specific provisions of section 6 of this document.
<b>“FSC”</b>	The Financial Services Commission of Mauritius.
<b>“JSE”</b>	The exchange, licensed under the South African Financial Markets Act, operated by the JSE Limited (registration number 2005/022939/06), a public company incorporated under the laws of South Africa.

<b>“JSE Buyback Price”</b>	The cash consideration payable by the Company in terms of the Buyback (being a general repurchase of shares in terms of a general authority granted to the Company) for each Buyback Share held on the South African Register being the price which is maximum 10% below the net asset value per share of the Company at the time of repurchase and not more than 5% above the weighted average of the market value of the shares for the five business days immediately preceding the date that the repurchase is effected.
<b>“Last Practicable Date”</b>	The last practicable date prior to the finalisation of this Explanatory Statement being 31 January 2018.
<b>“Listings Requirements”</b>	The listings requirements of the JSE.
<b>“Mauritian Register”</b>	The Mauritian share register of the Company.
<b>“MUR”</b>	The legal currency of Mauritius.
<b>“Ordinary Shares” or “Shares”</b>	Ordinary no par value shares in the issued capital of the Company and “Ordinary Share” is a reference to each of the Ordinary Shares.
<b>“SEM”</b>	The Stock Exchange of Mauritius Ltd established under the repealed Stock Exchange Act 1988 and now governed by the Securities Act 2005 of Mauritius.
<b>“SEM Buyback Price”</b>	The cash consideration payable by the Company for each Buyback Share held on the Mauritian Register being the Price which is maximum 10% below the net asset value per share of the Company at the time of repurchase and not more than 5% above the weighted average of the market value of the shares for the five business days immediately preceding the date that the repurchase is effected.
<b>“SENS”</b>	The Stock Exchange News Service of the JSE.
<b>“Shareholders”</b>	The persons who are registered as holders of Ordinary Shares of the Company.
<b>“South African Register”</b>	The South African share register of the Company.
<b>“Special Resolution”</b>	A resolution, proposed and passed in writing as a special resolution by seventy-five per cent (75%) of the voting Shareholders in terms of Section 117 of the Companies Act, 2001 of Mauritius, Clause 6 of the Company’s Constitution and the Listings Requirements.
<b>“ZAR”</b>	South African Rand, the legal currency of the Republic of South Africa.



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("Grit" or the "Company")

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### **Directors:**

Sandile Nomvete (*Chairman*)

Bronwyn Corbett\*

Peter Todd (*Lead independent*)

Chandra Gujadhur<sup>+</sup>

Ian Macleod<sup>+</sup>

Leon van de Moortele\*

Matshepo More

Nomzamo Radebe

Catherine McIlraith<sup>+</sup>

Maheshwar Doorgakant<sup>#</sup>

*\*Executive director*

*\*Independent*

*#Alternate to Mr Gujadhur*

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## **EXPLANATORY STATEMENT TO GRIT SHAREHOLDERS**

### **1. INTRODUCTION**

As set out in the announcement published on 19 December 2017, the Board passed a resolution on 18 December 2017 authorising the Buyback of up to 1 750 000 Shares at the Buyback Price during the Buyback Period.

As at the Last Practicable Date there were 208 514 261 Shares in issue. The Buyback therefore encompasses around 0.84 % of the Shares in issue as at the Last Practicable Date. In accordance with the Buyback Rules, because the Buyback will be less than 5% of the Shares in issue as at the Last Practicable Date, the Company may terminate the Buyback at any time, irrespective of whether any or all of the Buyback Shares have been repurchased.

The purpose of this Explanatory Statement is to provide Shareholders with the relevant information relating to the Buyback. The Explanatory Statement is not required in terms of the Listings Requirements and therefore is not approved by the JSE.

### **2. RATIONALE FOR THE BUYBACK**

It is the Board's view that Buyback Shares repurchased at a discount to their net asset value is an efficient use of Grit's cash. In the absence of any other mitigating factors, the Buyback is generally expected to be value enhancing and will benefit the Shareholders of Grit as a whole given that the pricing at which the Buyback will be effected is less than the intrinsic value of those shares, with the result that the net asset value per Share post the Buyback will be increased accordingly.

### 3. **PRICING PARAMETERS**

The Buyback will be undertaken subject to the availability of Shares at the JSE Buyback Price for Shares held on the South African Register and at the SEM Buyback Price for Shares held on the Mauritian Register during the Buyback Period, and that those shares so purchased shall be cancelled.

### 4. **SHAREHOLDERS' APPROVAL**

By way of a special resolution passed at the last annual general meeting of shareholders held on 24 November 2017, the Board of Directors of the Company was authorised to proceed with a repurchase by the Company of up to 4.9% of its issued shares as at the date of the annual general meeting (208 514 261 shares) at a price which is maximum 10% below the net asset value per Share of the Company at the time of repurchase and not more than 5% above the weighted average of the market value of the Shares for the five business days immediately preceding the date that the repurchase is effected and this approval from the Shareholders is valid until the next annual general meeting of Shareholders. Any Buyback shall, *inter alia*, be undertaken in accordance with the Listings Requirements.

### 5. **SOLVENCY TEST**

As per Section 69(2)(a)(v) of the Companies Act 2001 of Mauritius, the Company should immediately after the Buyback satisfy the solvency test as laid down in Section 6 as follows:

- (a) the Company shall be able to pay its debts as they become due in the normal course of business; and
- (b) the value of the Company's assets will be greater than the sum of:
  - (i) the value of its liability; and
  - (ii) the Company's stated capital.

The Directors of Grit have resolved that the Company will satisfy the solvency test immediately after the Buyback.

### 6. **EXPLANATORY STATEMENT**

The format and the content of this section 6 of this document comprises the specific requirements of the Explanatory Statement required by the Buyback Rules for a document of this nature.

- (i) The Board approved the Buyback on 18 December 2017.
- (ii) It is the Board's view that Buyback Shares repurchased at a discount to their net asset value is an efficient use of Grit's cash. In the absence of any other mitigating factors, the Buyback is generally expected to be value enhancing and will benefit the Shareholders of Grit as a whole given that the pricing at which the Buyback will be effected is less than the intrinsic value of those shares, with the result that the net asset value per share post the Buyback will be increased accordingly.
- (iii) It is proposed that Buyback Shares held on both the South African Register and the Mauritian Register, representing 0.84% of the Shares in issue as at the Last Practicable Date, be repurchased by the Company at the JSE Buyback Price for Buyback Shares held on the South African Register and at the SEM Buyback Price for Buyback Shares held on the Mauritian Register during the Buyback Period. The SEM Buyback Price is subject to amendment prior to the Commencement Date. Any amendment to the Buyback price shall be announced on the SEM website and SENS.
- (iv) In terms of the Buyback Rules, because the Buyback is for less than 5% of the Shares in issue, the Company is not obliged to buy all or any of the Buyback Shares (i.e. up to 1 750 000 Shares). The Company may terminate the Buyback at any time, irrespective of whether any or all of the Buyback shares have been repurchased, and the Company may close the Buyback at any time and make an announcement to that effect on the SEM website and SENS.
- (v) It is intended that the funds required for the Buyback will be provided from Grit's existing cash resources. Accordingly, there will be no direct cost of financing the Buyback. There will be brokerage fees and other costs, fees and charges incurred in the Buyback.
- (vi) The Company will proceed with the Buyback pursuant to the Buyback Rules.



(vii) The proposed timetable from opening until the close of the purchase operation is as follows:

Commencement Date	6 March 2018
Closing Date	17 June 2018

On 18 December 2017, the Board resolved to conduct the purchase operation within a period of six months from the date of the Board resolution and at a price which is maximum of 10% below the net asset value per share of the Company at the time of repurchase and not more than 5% above the weighted average of the market value of the shares for the five business days immediately preceding the date that the repurchase is effected on the SEM and/or the JSE.

Consequently, the Buyback Period, as mentioned above, may be subject to changes in the event the cash consideration payable by the Company for each Buyback Share held on the South African Register and/or the Mauritian Register does not fall within the maximum and minimum price range determined as being the Buyback Price. As such, the purchase operation period of six months may be extended at any time until the next annual general meeting, in line with the Shareholders' approval obtained on 24 November 2017. Any such amendment to the proposed Buyback Period will be announced on the SEM website and on SENS.

- (viii) There has been no offer to sell Shares to the Company by any member of the Board of Directors or any substantial Shareholder (to the best of the knowledge of the Directors, having made all reasonable enquiries).
- (ix) The Company was incorporated on 16 May 2012 in Bermuda and was transferred via continuation to Mauritius on 11 March 2015. Grit debuted on the SEM and migrated to the Main Board of the JSE on 30 March 2015 and 10 July 2015 respectively, and now holds dual primary listings on both the SEM and the JSE.
- (x) The audited financial information of Grit for the last three years are enclosed as Appendix 1 to this Explanatory Statement.
- (xi) A report from BDO & Co, the auditors of the Company, with regards to the Company's state of affairs is enclosed as Appendix 2 for reference purposes. The Board has formed the opinion on reasonable grounds that the Company will not, having regard to its state of affairs, be rendered insolvent within a period of one year from the date of Commencement of the Buyback.
- (xii) Set out in the table below is the shareholding pattern of the Company as at 26 January 2018:

<b>Name of Shareholder</b>	<b>Number of Ordinary Shares held</b>	<b>Percentage holding (%)</b>
DELTA PROPERTY FUND LIMITED	23 866 776	11.45
PIVOTAL GLOBAL PROPRIETARY LIMITED	13 187 535	6.32
GOVERNMENT EMPLOYEES PENSION FUND	65 998 116	31.65
DRIVE IN TRADING PROPRIETARY LIMITED	23 250 000	11.15
ESKOM PENSION AND PROVIDENT FUND	10 897 483	5.23
TRANSFORMERS INVESTMENT LIMITED	10 415 553	5.00
OTHER SHAREHOLDERS (ABOVE 500)	60 898 798	29.21
<b>TOTAL</b>	<b>208 514 261</b>	<b>100</b>

(xiii) Stock market data:

- (a) high, low and average market price of the shares of the company during the preceding year;

<b>Exchange</b>	<b>Year</b>	<b>Low</b>	<b>High</b>	<b>Average</b>
SEM (USD)	2017	1.30	1.67	1.40
JSE (ZAR)	2017	15.49	18.47	16.75

- (b) monthly high and low prices for the six months preceding the date of the explanatory statement;

<b>Month</b>	<b>SEM</b>		<b>JSE</b>	
	<b>Low USD</b>	<b>High USD</b>	<b>Low ZAR</b>	<b>High ZAR</b>
August 2017	1.38	1.39	15.90	16.50
September 2017	1.35	1.40	15.00	19.50
October 2017	1.35	1.38	16.00	16.64
November 2017	1.35	1.38	15.55	16.50
December 2017	1.35	1.41	15.60	16.50
January 2018	1.40	1.45	16.05	15.40

- (c) the market price immediately after the date of the Board resolution approving the purchase of shares and the volume of shares traded in each month during the six months preceding the date of the public announcement; and

- (i) The market price immediately after the date of the Board resolution approving the Buyback, being 19 December 2017:

<b>Exchange</b>	<b>Market price</b>
SEM (USD)	1.41
JSE (ZAR)	15.70

- (ii) The volume of shares traded in each month during the six months preceding the date of the public announcement:

<b>Month</b>	<b>Volume Traded (SEM)</b>	<b>Volume Traded (JSE)</b>
August 2017	5 099 752	903 711
September 2017	246 125	936 667
October 2017	141 812	388 667
November 2017	87 244	1 985 756
December 2017	102 717	468 369
January 2018	37 332	1 867 402

- (d) high, low and average share price of the company as at the Last Practicable Date, being 31 January 2018.

<b>Exchange</b>	<b>Low</b>	<b>High</b>	<b>Average</b>
SEM (USD)	1.45	1.45	1.45
JSE (ZAR)	15.60	15.60	15.60

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**AUDITED FINANCIAL INFORMATION FOR THE LAST THREE YEARS**


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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE THREE YEARS ENDED 30 JUNE 2015, 2016 and 2017**


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	As at 30 June 2017 \$	As at 30 June 2016 \$	As at 30 June 2015 \$
<b>Assets</b>			
<b>Non-current assets</b>			
Investment property	351 822 336	248 545 665	210 390 631
Investments in associates	89 049 264	45 945 339	–
Property, plant and equipment	1 932 521	803 240	96 512
Intangible assets	5 692 190	5 699 199	8 774
Related party loans	12 722 604	978 277	11 778
Loans receivable	66 740 037	–	–
Deferred tax	6 174 482	5 984 142	190 143
<b>Total non-current assets</b>	<b>534 133 434</b>	<b>307 955 862</b>	<b>210 697 838</b>
<b>Current assets</b>			
Current tax receivable	438 831	–	–
Trade and other receivables	25 916 520	18 101 466	18 777 373
Cash and cash equivalents	24 666 676	17 771 821	6 565 282
<b>Total current assets</b>	<b>51 022 027</b>	<b>35 873 287</b>	<b>25 342 655</b>
<b>Total assets</b>	<b>585 155 461</b>	<b>343 829 149</b>	<b>236 040 493</b>
<b>Equity and liabilities</b>			
<b>Total equity attributable to equity holders</b>			
Share capital	319 978 513	171 995 297	127 958 794
Foreign currency translation reserve	1 063 721	(1 898)	(785 389)
Antecedent dividend reserve	1 260 656	635 547	–
Retained (loss)/income	(7 578 171)	(9 256 498)	(2 760 583)
<b>Total equity attributable to equity holders</b>	<b>314 724 719</b>	<b>163 372 448</b>	<b>124 412 822</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Preference shares	12 840 000	–	–
Interest-bearing borrowings	187 447 310	127 070 183	10 490 966
Secured finance leases	171 247	–	–
Deferred tax	898 773	835 646	807 205
<b>Total non-current liabilities</b>	<b>201 357 330</b>	<b>127 905 829</b>	<b>11 298 171</b>

	<b>As at 30 June 2017 \$</b>	<b>As at 30 June 2016 \$</b>	<b>As at 30 June 2015 \$</b>
<b>Current liabilities</b>			
Interest-bearing borrowings	47 959 452	34 548 386	91 165 629
Secured finance leases	44 566	–	–
Trade and other payables	19 201 998	15 029 156	8 671 831
Related party loans	1 365 000	1 365 000	–
Withholding tax payable	45 460	33 180	11 893
Current tax payable	–	1 020 938	137 756
Financial instruments	18 724	554 212	–
Cash and cash equivalents	438 212	–	342 391
<b>Total current liabilities</b>	<b>69 073 412</b>	<b>52 550 872</b>	<b>100 329 500</b>
<b>Total liabilities</b>	<b>270 430 742</b>	<b>180 456 701</b>	<b>111 627 671</b>
<b>Total equity and liabilities</b>	<b>585 155 461</b>	<b>343 829 149</b>	<b>236 040 493</b>
Net asset value per share (cents)	150.94	163.27	168.91

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2015, 2016 and 2017**

	Year ended 30 June 2017 \$	Year ended 30 June 2016 \$	Year ended 30 June 2015 \$
Gross rental income	24 329 570	20 878 458	13 918 198
Straight-line rental income accrual	1 132 143	2 217 399	2 622 295
<b>Revenue</b>	<b>25 461 713</b>	<b>23 095 857</b>	<b>16 540 493</b>
Share of profits from associates	7 621 227	3 219 866	–
Property operating expenses	(7 170 116)	(5 769 024)	(3 477 760)
<b>Net property income</b>	<b>25 912 824</b>	<b>20 546 699</b>	<b>13 062 733</b>
Other income	3 274 668	2 933 782	384 061
Administrative expenses	(5 601 436)	(3 856 608)	(1 711 297)
<b>Profit from operations</b>	<b>23 586 056</b>	<b>19 623 873</b>	<b>11 735 497</b>
Acquisition fees and set-up costs	(1 166 356)	(1 838 800)	(4 121 219)
Fair value adjustment on investment properties	2 936 120	(3 759 543)	4 560 459
Fair value adjustment on financial instruments	103 624	(99 198)	–
Gain from bargain purchase	957 837	250 515	3 504 523
Foreign currency gains/(losses)	778 640	2 763 774	(11 251 461)
<b>Profit before interest and taxation</b>	<b>27 195 921</b>	<b>16 940 621</b>	<b>4 427 799</b>
Interest income	1 993 516	170 158	91 478
Finance costs	(10 970 561)	(9 698 267)	(3 640 293)
<b>Profit for the period before tax</b>	<b>18 218 876</b>	<b>7 412 512</b>	<b>878 984</b>
Current tax expense	(32 326)	(1 493 959)	(78 542)
Deferred tax expense	(454 865)	(3 944 764)	(617 062)
<b>Profit for the period after tax</b>	<b>17 731 685</b>	<b>1 973 789</b>	<b>183 380</b>
<b>Other comprehensive income</b>			
Profit on translation of functional currency	1 065 619	783 491	(838 254)
<b>Total comprehensive income</b>	<b>18 797 304</b>	<b>2 757 280</b>	<b>(654 874)</b>
Basic earnings per share (cents)	16.06	2.42	0.39

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE YEARS ENDED 30 JUNE 2015, 2016 and 2017**

	Share Capital \$	Foreign currency translation reserve \$	Antecedent dividend reserve \$	Retained Earnings/ (Revenue deficit) \$	Total equity \$
<b>GROUP</b>					
<b>Balance as at 1 July 2014</b>	864 655	52 865	–	19 471	936 991
Profit for the year	–	–	–	183 380	183 380
Dividends paid	–	–	–	(2 963 434)	(2 963 434)
Foreign currency translation reserve movement	–	(838 254)	–	–	(838 254)
Shares issued	130 704 474	–	–	–	130 704 474
Share issue expenses	(3 610 335)	–	–	–	(3 610 335)
Transfer from share issues	–	–	–	–	–
<b>Balance as at 1 July 2015</b>	<b>127 958 794</b>	<b>(785 389)</b>	<b>–</b>	<b>(2 760 583)</b>	<b>124 412 822</b>
Profit for the year	–	–	–	1 973 789	1 973 789
Dividends paid	–	–	–	(8 469 704)	(8 469 704)
Foreign currency translation reserve movement	–	783 491	–	–	783 491
Shares issued	44 830 305	–	–	–	44 830 305
Share issue expenses	(158 255)	–	–	–	(158 255)
Transfer from share issues	(635 547)	–	635 547	–	–
<b>Balance as at 30 June 2016</b>	<b>171 995 297</b>	<b>(1 898)</b>	<b>635 547</b>	<b>(9 256 498)</b>	<b>163 372 448</b>
Profit for the year	–	–	–	17 731 685	17 731 685
Dividends paid	–	–	(635 547)	(11 892 609)	(12 528 156)
Foreign currency translation reserve movement	–	1 065 619	–	–	1 065 619
Shares issued	155 534 757	–	–	–	155 534 757
Share issue expenses	(5 330 652)	–	–	–	(5 330 652)
Transfer from share issues	(2 220 889)	–	2 220 889	–	–
Clean-out dividend paid	–	–	(960 233)	(4 160 749)	(5 120 982)
<b>Balance as at 30 June 2017</b>	<b>319 978 513</b>	<b>1 063 721</b>	<b>1 260 656</b>	<b>(7 578 171)</b>	<b>314 724 719</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS 30 JUNE 2015, 2016 and 2017**

	Year ended 30 June 2017 \$	Year ended 30 June 2016 \$	Year ended 30 June 2015 \$
Cash generated from/(utilised in) operations	15 355 278	19 286 276	(6 715 572)
Interest received	1 993 516	170 158	91 477
Finance costs	(9 685 296)	(9 241 646)	(4 357 686)
Taxation paid	(1 479 815)	(589 490)	(171 207)
Dividends paid	(17 649 138)	(8 469 704)	(2 963 434)
<b>Net cash (utilised in)/generated from operating activities</b>	<b>(11 465 455)</b>	<b>1 155 594</b>	<b>(14 116 422)</b>
Acquisition of investment property	(82 561 907)	(31 490 817)	(172 115 747)
VAT on acquisition of investment property	(4 553 568)	–	–
Acquisition of property, plant and equipment	(1 011 886)	(798 114)	–
Acquisition of intangible assets	(10 374)	(593 172)	–
Net cash outflow on acquisition of subsidiaries and associates	(24 118 753)	(31 419 780)	(31 115 210)
Dividends received from associates	3 573 077	1 786 552	–
Loans (advanced to)/raised from subsidiaries and related parties	(68 533 142)	398 501	263 956
<b>Net cash utilised in investing activities</b>	<b>(177 216 553)</b>	<b>(62 116 830)</b>	<b>(202 967 001)</b>
Proceeds from the issue of shares	133 439 348	40 695 047	126 825 299
Share issue expenses	(5 330 652)	(158 256)	(3 610 335)
Proceeds from the issue of preference shares	12 840 000	–	–
Proceeds from interest-bearing borrowings and finance leases	168 983 007	142 152 774	122 745 142
Settlement of interest-bearing borrowings and finance leases	(114 793 052)	(110 179 398)	(23 303 118)
<b>Net cash generated from financing activities</b>	<b>195 138 651</b>	<b>72 510 166</b>	<b>222 656 988</b>
<b>Net movement in cash and cash equivalents</b>	<b>6 456 643</b>	<b>11 548 930</b>	<b>5 573 565</b>
Cash at the beginning of the year	17 771 821	6 222 891	649 328
<b>Total cash at the end of the year</b>	<b>24 228 464</b>	<b>17 771 821</b>	<b>6 222 893</b>

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## AUDITORS REPORT ON SOLVENCY

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Our ref: GrpA/0209/nr

March 1, 2018

The Board of Directors  
Grit Real Estate Income Group Limited  
C/o Intercontinental Fund Services Limited  
Level 5, Alexander House  
35, Cybercity  
Ebène

**MAURITIUS**

Dear Sirs,

**Report in connection with Section 6 of the Schedule to the Securities (Purchase of own Shares) Rule 2008 relating to report to the directors of the Company by the auditors**

We have performed the procedures agreed with you and enumerated below to provide Grit Real Estate Income Group Limited ('GRIT') (the 'Company') a report to the Board of Directors in connection with the planned Share Buyback of up to a maximum of 1,750,000 shares (Share Buyback) which may occur during the financial year ending 30 June 2018 in accordance with the Mauritian Securities Act 2005, Section 13(2)(f) Purchase of Own Shares. Our engagement was undertaken in accordance with the International Standard on Related Services ISRS 4400 applicable to agreed-upon-procedures engagements. The procedures were performed solely to report on the Company's compliance in connection with the Share Buyback and are summarised as follows:

1. Inquire with management on the Company's state of affairs as at the date of the commencement of the Share Buyback. The state of affairs would include:
  - a. Statement of financial position as at 31 January 2018
  - b. Cash flow projections for the period from 1 July 2017 to 30 June 2018 and 1 July 2018 to 30 June 2019.
2. Inquire with management, whether they have formed the opinion on reasonable grounds and that the Company will not, having regard to its state of affairs, be rendered insolvent within a period of one year as from the date of the commencement of the Share Buyback;
3. Inquire with management on the grounds of their assessment for forming their opinion mentioned in item 2 above; and
4. Obtain written representation from the Board of Directors that they have performed their assessment on reasonable grounds and are of the opinion that the Company will not be rendered insolvent within a period of one year as from the date of the commencement of the Share Buyback.



We report our findings below:

- a) With respect to item 1, we inquired with Management on the Company's state of affairs as at the date of the commencement of the Share Buyback. We were provided with the state of affairs of the Company as at 31 January 2018 which were as follows:

	<b>31 January 2018 Unaudited USD'000</b>
Key financial indicators	
Total assets	399 849
Total liabilities	59 811
Capital and reserves	340 038

We obtained representation from management that the state of affairs of the Company has not deteriorated by the date of the commencement of the Share Buyback.

- b) With respect to items 2 and 3, we inquired with the Board of Directors that they have formed the opinion on reasonable grounds and that the Company will not, having regard to its state of affairs, be rendered insolvent within a period of one year from the date of the commencement of the Share Buyback. We were provided with a projected cash flow from 1 July 2017 to 30 June 2018 which included the payment of the Share Buyback and is summarized as follows:

	<b>Period from 1 July 2017 to 30 June 2018 USD'000</b>
Opening cash balance on 1 July 2017	20 744
Projected total cash inflow	359 707
Projected total cash outflow (excluding Share Buyback)	(374 665)
Projected payment for Share Buyback	(2 501)
Projected net cash outflow	(17 459)
Projected closing cash balance on 30 June 2018	3 285

Based on the projected cash flow, we did not come across any matter that would render the Company insolvent within a period of one year as from the date of the commencement of the Share Buyback. We did not come across any unusual items in the projected cash flows. Actual results may be different from the forecast since anticipated events may not occur as expected and the variation may be material.

- c) With respect to item 4, we have obtained the relevant written representation from the Board of Directors.

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Financial Reporting Standards on Review Engagements, we do not express any assurance on the above.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose. BDO & Co. assumes no responsibility whatsoever in respect of or arising out of or in connection with the contents of this certificate to third parties.

**BDO & Co**

Chartered Accountants

