

GRIT REAL ESTATE INCOME GROUP LIMITED – UNAUDITED ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2017

14 November 2017 13:30

GTR 201711140037A

Unaudited Abridged Consolidated Financial Statements For The Three Months Ended 30 September 2017

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" or "the Group")

UNAUDITED ABRIDGED CONSOLIDATED  
FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2017  
(the "financial statements")

FORWARD DIVIDEND YIELD:  
9% ON SEM AND 10.9% ON JSE

PROPERTY ASSET VALUE INCREASED  
FROM \$507 MILLION TO \$570 MILLION

WACD - 5.53%  
(2017: 5.78%)

PORTFOLIO OCCUPANCY  
OF 97%

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 Official Market of the Stock Exchange of Mauritius ("SEM") and 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 financial results of the first quarter of the 2018 financial year reflects deployment of the proceeds of the recently concluded rights offer and the positive financial impact of the resultant assets transferred, together with the consistent performance from the current property portfolio during the quarter.

Total Property related investment have increased from US\$507m in June 2017 to US\$570m in September 2017. Details of the assets transferred are as follows:

- Imperial Health Sciences Logistics Warehouse located in Nairobi, Kenya transferred on the 16th of August (total asset value of US\$20.99m);
- On 11 August 2017, following receipt of the required regulatory approvals, the Company exercised its convertible loan and was issued 44.428% of the share capital of Beachcomber Hospitality Investments Limited ("BHI"). (Total value of the 44.428% in associated company is US\$55.4m, comprising primarily three hotel assets of US\$183.8m and debt of US\$59.1m)
- On 18 August 2017, the Company acquired a minority stake in Letlole La Rona Limited. The investment provides a soft entrance into the Botswana market and a base for developing the necessary expertise to expand investments into Botswana. Total value of the investment value is US\$3.7m.

Material changes to the debt facilities were as follows:

- Bank of China paid out the long-term debt of US\$37.56m for the acquisition of Cosmopolitan Mall in Lusaka, Zambia, the proceeds of the loan was utilised to settle the existing debt with Rockcastle and Standard Bank. The loan was priced at Libor + 4.0%.
- Bank of China disbursement of a loan of US\$8.55m for the settlement of

the Imperial Health Sciences Logistics Warehouse acquisition in Nairobi, Kenya. The loan was priced at Libor + 4.0%

- As part of Grit's hedging strategy to convert the Revolving Credit Facility from USD to EUR, the Company secured a dual-currency facility from Barclays Mauritius amounting to US\$20.0m (or EUR17.1m). Post the period-end an AfrAsia Revolving Credit Facility of EUR10m was granted. The above loans attract interest at Euro Libor plus 3.5% and 3.8% respectively.

The result of the above was a reduction in the weighted average cost of debt from 5.78% at 30 June 2017 to 5.53% at 30 September 2017. Grit expects this to reduce further as the full effect of the lower cost Euro facilities come into effect through the remaining period of the 2018 financial year.

The loan to value normalised to 48.38% after the cash held from the capital raise at 30 June 2017 was effectively deployed.

|   | Unaudited<br>for the three<br>months ended<br>30 September<br>2017<br>US\$ | Audited<br>for the year<br>ended<br>30 June<br>2017<br>US\$ | Unaudited<br>for the three<br>months ended<br>30 September<br>2016<br>US\$ |
|---|--|---|--|
| <b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME</b> |  |   |  |
| Gross rental income                                   | 7,381,946  | 24,329,570  | 5,703,841  |
| Straight-line rental income accrual                   | 481,160  | 1,132,143   | 481,833  |
| Revenue   | 7,863,106  | 25,461,713  | 6,185,674  |
| Income from associates                                | 2,776,250  | 7,621,227   | 1,984,547  |
| Property operating expenses                           | (1,411,633)  | (7,170,116)   | (1,535,557)  |
| Net property income                                   | 9,227,723  | 25,912,824  | 6,634,664  |
| Other income  | 811,061  | 3,274,668   | 617,001  |
| Administrative expenses                               | (1,442,545)  | (5,601,436)   | (1,468,620)  |
| Profit from operations                                | 8,596,239  | 23,586,056  | 5,783,045  |
| Acquisition fees and set-up costs                     | (254,496)  | (1,166,356)   | (177,389)  |
| Fair value adjustment on investment property(1)       | -  | 2,936,120   | (47,548)   |
| Fair value adjustment on financial instruments        | (54,518)   | 103,624   | 39,998   |
| Gain from bargain purchase                            | -  | 957,837   | -  |
| Foreign currency gains/(losses)                       | 1,123,789  | 778,640   | 29,306   |
| Profit before interest and taxation                   | 9,411,014  | 27,195,921  | 5,627,412  |
| Interest income                                       | 1,308,658  | 1,993,516   | 119,225  |
| Finance costs   | (4,099,145)  | (10,970,561)  | (1,778,684)  |
| Profit for the period before tax                      | 6,620,527  | 18,218,876  | 3,967,953  |
| Current tax expense                                   | -  | (32,326)  | (835,313)  |
| Deferred tax income/(expense)                         | 322,253  | (454,865)   | 1,211,518  |
| Profit for the period after tax                       | 6,942,780  | 17,731,685  | 4,344,158  |
| Profit/(loss) on translation of functional currency   | 47,563   | 1,065,619   | (34,087)   |
| Other comprehensive income                            | -  | -   | -  |
| Total comprehensive income                            | 6,990,343  | 18,797,304  | 4,310,071  |

(1) Fair value adjustment on investment property relates to revaluing investment properties which is performed on a six monthly basis.

|  | Unaudited<br>for the three<br>months ended<br>30 September<br>2017<br>US\$ | Audited<br>for the year<br>ended<br>30 June<br>2017<br>US\$ | Unaudited<br>for the three<br>months ended<br>30 September<br>2016<br>US\$ |
|--|--|---|--|
| <b>Reconciliation of basic earnings and headline earnings</b>                  |  |   |  |
| Basic earnings   | 6,942,780  | 17,731,685  | 4,344,158  |
| Less: Fair value adjustments on investment property (net of deferred taxation) | -  | (2,936,120)   | 47,548   |
| Gain from bargain purchase   | -  | (957,837)   | -  |
| Share of value adjustment on investment property accounted by associate        | -  | (4,181,162)   | -  |
| Fair value adjustments on financial instruments                                | 54,518   | (103,624)   | (39,998)   |
| Headline earnings/(loss) attributable to shareholders                          | 6,997,298  | 9,552,942   | 4,351,708  |
| Number of shares in issue at interim   | 208,514,261  | 111,787,042   | 100,061,130  |
| Number of shares in issue at quarter/year-end                                  | 208,514,261  | 208,514,261   | 100,706,571  |
| Weighted average number of shares  | 208,514,261  | 110,435,576   | 100,341,757  |
| Earnings per share   |  |   |  |
| Basic and diluted profit per share (cents)                                     | 3.33   | 16.06   | 4.33   |
| Headline and diluted headline earnings/(loss) per share (cents)                | 3.36   | 8.65  | 4.34   |

|   | Unaudited<br>as at<br>30 September<br>2017<br>US\$ | Audited<br>as at<br>30 June<br>2017<br>US\$ | Unaudited<br>as at<br>30 September<br>2016<br>US\$ |
|---|--|---|--|
| <b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b> |  |   |  |
| <b>Assets</b>                                       |  |   |  |
| <b>Non-current assets</b>                           |  |   |  |
| Total property related investments                  | 569,898,152  | 507,611,637                                 | 299,036,330  |
| Fair value of property portfolio                    | 371,538,567  | 345,850,499                                 | 246,755,977  |
| Straight-line rental income accrual                 | 8,695,712  | 5,971,837                                   | 5,207,723  |
| Investment in associates                            | 145,191,649  | 89,049,264                                  | 47,072,630   |
| Investment in listed shares: Available-for-sale     | 3,848,722  | -   | -  |
| Other financial assets                              | 40,623,502   | 66,740,037                                  | -  |
| Property, plant and equipment                       | 2,092,268  | 1,932,521                                   | 789,696  |
| Intangible assets                                   | 5,687,349  | 5,692,190                                   | 5,575,562  |
| Related party loans                                 | 12,479,807   | 12,722,604                                  | -  |
| Deferred tax  | 6,827,267  | 6,174,482                                   | 7,025,055  |
| Total non-current assets                            | 596,984,843  | 534,133,434                                 | 312,426,643  |
| <b>Current assets</b>                               |  |   |  |
| Trade and other receivables                         | 22,390,964   | 18,656,708                                  | 14,893,140   |
| VAT   | 9,716,148  | 7,259,812                                   | 5,145,410  |
| Current tax receivable                              | 435,826  | 438,831                                     | -  |
| Financial instruments                               | 8,637  | -   | -  |
| Cash and cash equivalents                           | 7,345,730  | 24,666,676                                  | 7,663,609  |
| Total current assets                                | 39,897,305   | 51,022,027                                  | 27,702,159   |
| Total assets  | 636,882,148  | 585,155,461                                 | 340,128,802  |
| <b>Equity and liabilities</b>                       |  |   |  |
| <b>Total equity attributable to equity holders</b>  |  |   |  |
| Share capital                                       | 319,978,513  | 319,978,512                                 | 173,060,368  |
| Foreign currency translation reserve                | 1,111,284  | 1,063,721                                   | (35,985)   |
| Antecedent dividend reserve                         | -  | 1,260,656                                   | -  |
| Retained (loss)/profit                              | (2,252,233)  | (7,578,169)                                 | (9,896,220)  |

|   |             |             |             |
|---|-------------|-------------|-------------|
| Total equity attributable to equity holders                     | 318,837,564 | 314,724,720 | 163,128,163 |
| Liabilities   |             |             |             |
| Non-current liabilities   |             |             |             |
| Preference shares: Non-redeemable                               | 12,840,000  | 12,840,000  | -           |
| Interest-bearing borrowings                                     | 235,391,070 | 187,447,310 | 111,148,224 |
| Secured finance leases  | 165,946     | 171,247     | -           |
| Deferred tax  | 961,199     | 898,773     | 665,041     |
| Total non-current liabilities                                   | 249,358,215 | 201,357,330 | 111,813,265 |
| Current liabilities   |             |             |             |
| Interest-bearing borrowings                                     | 47,018,449  | 47,959,452  | 44,600,000  |
| Secured finance leases  | 43,873      | -           | -           |
| Trade and other payables  | 16,669,161  | 19,201,998  | 11,346,980  |
| Related party loans   | 1,365,000   | 1,365,000   | 1,365,000   |
| Shareholders for dividend                                       | 2,877,497   | -           | 5,613,322   |
| Withholding tax payable   | 66,928      | 45,460      | 21,147      |
| Current tax payable   | -           | -           | 1,469,649   |
| Financial instruments   | -           | 18,724      | 319,334     |
| Cash and cash equivalents                                       | 645,461     | 438,212     | 451,942     |
| Total current liabilities                                       | 68,686,369  | 69,073,412  | 65,187,374  |
| Total liabilities   | 318,044,584 | 270,430,742 | 177,000,639 |
| Total equity and liabilities                                    | 636,882,148 | 585,155,462 | 340,128,802 |
| Loan to value   | 48.38%      | 41.60%      | 49.58%      |
| Net asset value per share (cents)                               | 152.91      | 150.94      | 161.98      |
| Net asset value per share (excluding deferred taxation) (cents) | 150.10      | 148.41      | 155.67      |

|  | Unaudited<br>for the three<br>months ended<br>30 September | Audited<br>for the year<br>ended<br>30 June | Unaudited<br>for the three<br>months ended<br>30 September |
|--|--|---|--|
|  | 2017   | 2017  | 2016   |
|  | US\$   | US\$  | US\$   |
| CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS |  |   |  |
| Cash generated from operating activities       | 4,291,195  | 7,663,526                                   | 3,581,845  |
| Changes in working capital                     | (9,662,103)  | (1,479,843)                                 | (5,619,259)  |
| Dividends paid                                 | -  | (17,649,138)                                | -  |
| Net cash utilised in investing activities      | (58,663,668)   | (177,216,553)                               | (3,706,773)  |
| Net cash generated from financing activities   | 46,506,381   | 195,138,651                                 | (4,815,967)  |
| Net movement in cash and cash equivalents      | (17,528,195)   | 6,456,643                                   | (10,560,154)   |
| Cash at the beginning of the year              | 24,228,464   | 17,771,821                                  | 17,771,821   |
| Total cash at the end of the year              | 6,700,269  | 24,228,464                                  | 7,211,667  |
| Represented by:                                |  |   |  |
| Cash at bank                                   | 7,345,730  | 24,666,676                                  | 7,663,609  |
| Bank overdraft                                 | (645,461)  | (438,212)                                   | (451,942)  |
| Total cash at the end of the year              | 6,700,269  | 24,228,464                                  | 7,211,667  |

|   | Share<br>capital | Foreign<br>currency<br>translation<br>reserve | Antecedent<br>dividend<br>reserve | Retained<br>earnings | Total equity<br>holders |
|---|------------------|---|-----------------------------------|----------------------|-------------------------|
|   | US\$             | US\$  | US\$                              | US\$                 | US\$                    |
| CONSOLIDATED STATEMENT OF CHANGES IN EQUITY   |                  |   |                                   |                      |                         |
| Balance as at 1 July 2016                     | 171,995,297      | (1,898)                                       | 635,547                           | (9,256,498)          | 163,372,448             |
| Profit for the period                         | -                | -   | -                                 | 17,731,685           | 17,731,685              |
| Dividends paid                                | -                | -   | (1,595,780)                       | (16,053,358)         | (17,649,138)            |
| 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                         | -                    | -                       |
| Balance as at 30 June 2017                    | 319,978,513      | 1,063,721                                     | 1,260,656                         | (7,578,171)          | 314,724,719             |
| Unaudited for the three months ended          |                  |   |                                   |                      |                         |
| Profit for the period                         | -                | -   | -                                 | 6,942,780            | 6,942,780               |
| Dividends paid                                | -                | -   | (1,260,656)                       | (1,616,841)          | (2,877,497)             |
| Foreign currency translation reserve movement | -                | 47,562  | -                                 | -                    | 47,562                  |
| Balance as at 30 September 2017               | 319,978,513      | 1,111,283                                     | -                                 | (2,252,232)          | 318,837,564             |

|   | Unaudited<br>for the three<br>months ended<br>30 September | Audited<br>for the year<br>ended<br>30 June | Unaudited<br>for the three<br>months ended<br>30 September |
|---|--|---|--|
|   | 2017   | 2017  | 2016   |
|   | US\$   | US\$  | US\$   |
| CONDENSED CONSOLIDATED SEGMENTAL ANALYSIS BY REGION |  |   |  |
| Profit/(loss) before income tax expense             |  |   |  |
| Morocco   | 1,140,729  | (204,659)                                   | 323,616  |
| Mozambique  | 2,206,953  | 17,341,850                                  | 3,760,435  |
| Kenya   | 172,141  | (2,116,813)                                 | (11,983)   |
| Mauritius   | 934,345  | (5,730,603)                                 | (1,855,632)  |
| Zambia  | 2,166,359  | 8,929,101                                   | 1,751,517  |
| Total assets  | 6,620,527  | 18,218,876                                  | 3,967,953  |
| Morocco   | 121,188,663  | 117,459,022                                 | 114,722,085  |
| Mozambique  | 210,009,318  | 185,543,263                                 | 142,270,432  |
| Kenya   | 27,526,422   | 3,147,968                                   | 4,517,036  |
| Mauritius   | 191,684,106  | 193,103,912                                 | 32,798,773   |
| Zambia  | 86,473,639   | 85,901,296                                  | 45,820,476   |
| Total assets  | 636,882,148  | 585,155,461                                 | 340,128,802  |

|   | Unaudited<br>for the three<br>months ended<br>30 September | Audited<br>for the year<br>ended<br>30 June | Unaudited<br>for the three<br>months ended<br>30 September |
|---|--|---|--|
|   | 2017   | 2017  | 2016   |
|   | US\$   | US\$  | US\$   |
| CONDENSED CONSOLIDATED SEGMENTAL ANALYSIS BY SECTOR |  |   |  |
| Profit/(loss) before income tax expense             |  |   |  |
| Office  | 1,083,315  | 12,318,688                                  | 1,923,984  |
| Retail  | 3,727,604  | 10,435,640                                  | 2,752,494  |
| Corporate accommodation                             | 810,000  | 3,204,555                                   | 544,500  |
| Light industrial                                    | 336,324  | (1,559,922)                                 | 222,750  |
| Hospitality   | 2,302,321  | 712,132                                     | -  |
| Corporate   | (1,639,037)  | (6,892,217)                                 | (1,475,775)  |
| Total assets  | 6,620,527  | 18,218,876                                  | 3,967,953  |
| Office  | 145,967,590  | 145,084,718                                 | 123,580,222  |
| Retail  | 249,963,114  | 249,654,006                                 | 192,202,587  |
| Corporate accommodation                             | 31,403,722   | 5,191,890                                   | 3,916,835  |
| Light industrial                                    | 31,595,859   | 7,056,953                                   | 15,745,750   |
| Hospitality   | 102,011,191  | 92,302,049                                  | -  |
| Corporate   | 75,940,672   | 85,865,845                                  | 4,683,408  |
| Total assets  | 636,882,148  | 585,155,461                                 | 340,128,802  |

SUBSEQUENT EVENTS

Other than those items mentioned above, the following material event occurred subsequent to the end of the reporting period:

- a) On 26 October 2017, Grit has paid distribution of US\$1.38 cents per share. This took the full year distribution of the 2017 financial year to a total of US\$12.07 cents per share, a growth of 2.72% on 2016's full year distribution of US\$11.75 cents per share.

#### 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 for the 2018 financial year is 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 macroeconomic environment.

This forecast is the responsibility of the Grit Board and has not been reviewed or reported on by the auditors of the Company.

#### GOING CONCERN

Having considered the Group's budget and cash flow, the directors are of the opinion that the Group has adequate resources to continue operating for the foreseeable future and that it is appropriate to adopt the going-concern basis in preparing the Group's financial statements. The directors have satisfied themselves that the Group is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements.

#### DIVIDENDS

No dividends were declared or paid for the three month period ended 30 September 2017

#### NOTES

The Group is required to publish interim reports in accordance with the Listing Rule 12.19 of the SEM. Accordingly, this announcement presents the unaudited consolidated financial results of the Group in respect of the three months period from 1 July 2017 to 30 September 2017.

The accounting policies which have been applied are consistent with those used in the preparation of the audited financial statements for the year ended 30 June 2017.

The financial statements for the three months ended 30 September 2017 have been prepared in accordance with the measurement and recognition requirements of IFRS, the requirements of IAS 34: Interim Financial Reporting, the SEM Listing Rules, the JSE Listings Requirements, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Accountants Council and the Securities Act of Mauritius 2005.

The financial statements have not been reviewed or reported on by the Group's external auditors. These financial statements were approved by the Board on 14 November 2017. Copies of the financial statements and the Statement of direct and indirect interests of each officer of the Group, pursuant to rule 8(2)(m) of the Securities (Disclosure Obligations of Reporting Issuers) Rules of Mauritius 2007, are available free of charge, upon request at the Company's registered address. Contact person: Mrs Smitha Algoo.

By order of the board

14 November 2017

JSE sponsor and corporate advisor to Grit  
PSG CAPITAL

SEM Authorised Representative and Sponsor to Grit  
Perigeum Capital

Directors: Sandile Nomvete (chairman), Bronwyn Corbett\*, Peter Todd (lead independent), Chandra Gujadhur, Ian Macleod, Leon van de Moortele\*, Jacqueline van Niekerk, Matshepo More and Maheshwar Doorgakant (#)  
(\*executive director) ((#)alternate to Mr Gujadhur)

Company secretary: Intercontinental Fund Services Limited

Registered address: Level 5, Alexander House, 35 Cybercity, Ebene, 72201, Mauritius

Transfer secretary (South Africa): Computershare Investor Services Proprietary Limited

Registrar and transfer agent (Mauritius): Intercontinental Secretarial Services Limited

Corporate advisor and JSE sponsor: PSG Capital Proprietary Limited

Sponsoring Broker: Axy's Stockbroking Limited

SEM authorised representative and sponsor: Perigeum Capital Limited

Results released to market

14 November 2017

This communiqué is issued pursuant to SEM Listing Rule 11.3 and 12.19 and section 88 of the Mauritian Securities Act 2005 and the JSE Listings Requirements. The board accepts full responsibility for the accuracy of the information contained in these abridged audited consolidated financial statements and this communiqué.

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