Don't break the rules
break the boundaries

grit
Real estate income group

2017 Integrated Annual Report

MANIFESTO

Grit is not easy to define.

Sometimes it's easier to define it by what it isn't:
It isn't talent.
It isn't luck or timing.
It isn't about a fleeting desire.
It isn't about hard work.
Grit is an unwavering dedication.

It is more about attitude than the end game.
The commitment to finish what we start.
The determination to rise from setbacks.
The drive to improve and succeed.
The willingness to undertake sustained
and sometimes unpleasant preparation
and repetition in order to do so.
Grit is the achievement of a singularly
important goal

Through perseverance and passion.
It is achieving success not based solely
on experience or skill,
But also through the sustained and
focused application
of experience and skill over time.

GRIT IS ABOUT A **FIRMNESS OF CHARACTER**. IT IS AN **INDOMITABLE SPIRIT**
A TENACITY TO KEEP GOING AND THE RESOLVE TO SUCCEED

#CHALLENGEBELIEF

Anadarko Building

CONTENTS

Vodacom Building

Anfa Place Shopping Center

ABOUT THIS REPORT

Grit Real Estate Income Group Limited ("Grit" or the "Company") is pleased to present its fourth integrated report. The information in this report has been prepared to provide shareholders, potential investors and stakeholders with an overview of our business model, performance, governance framework, strategy, risks and opportunities of the Group, its subsidiaries and entire portfolio for the year ended 30 June 2017.

This report has been prepared to assist the Group's stakeholders to make an informed assessment of the Group and its ability to create and sustain value over the short-, medium- and long-term.

Framework and Assurance

The information included in this Integrated Report has been provided in accordance with International Financial Reporting Standards ("IFRS"), the Mauritian Companies Act, 2001, the Mauritian Securities Act, 2005, SEM Listing Rules, JSE Listings Requirements, Integrated Reporting Framework (the "Framework"), the Code of Corporate Governance for Mauritius (the "Code") and King IV Report on Corporate Governance for South Africa 2016.

Approval of the Integrated Report

The board acknowledges its responsibility to ensure the integrity of this report. The board has applied its mind to the Integrated Report and in its opinion this report fairly represents the integrated performance of the Company.

The board has therefore approved the release of the 2017 Integrated Report.

Sandile Nomvete
Chairman

Bronwyn Corbett
Chief Executive Officer

Imperial Warehouse

Canonnier Beachcomber Resort and Spa

Forward-looking statements

This integrated report contains certain forward-looking statements relating to the financial performance and position of the Group. All forward-looking statements are solely based on the views and considerations of the directors.

While these forward-looking statements represent the directors' judgements and future expectations, a number of risks, uncertainties and other important factors that could cause actual developments and results to differ materially from their expectations. Factors that could cause actual results to differ materially from those in forward-looking statements include, but are not limited to, global and local market and economic conditions, industry factors as well as regulatory factors.

Grit is not under any obligation to (and expressly disclaim any such obligation to) update or alter its forward-looking statements, whether as a result of new information, future events or otherwise.

This forward-looking information has not been reviewed or reported on by the external auditors.

Iconography guide

We include icons throughout the report for easy access to information, help readibility and to simplify cross-referencing.

NAVIGATION ICONS

- Refers to information on our website
- Refers to page in the publication
- Refers to opportunities in the market
- Refers to potential risks
- Refers to intellectual property

GEOGRAPHIC ICONS

- Refers to properties in Kenya
- Refers to properties in Mauritius
- Refers to properties in Morocco
- Refers to properties in Mozambique
- Refers to properties in Zambia

Hollard Building

grit

guts
resilience
innovation
tenacity

innovation

"Changes call for innovation, and innovation leads to progress"

– Li Keqiang

Anadarko Building


Mauricia Beachcomber Resort and Spa

Organisational overview

HIGHLIGHTS

WALE ↑ 7.8 years
from 5.8 years in 2016
Post transfers and successful renegotiation of lease renewals

WACD ↓ 0.44%
to 5.78%
(2016: 6.22%)

INTEREST COVER ↑ 2.75
from 2.20

Weighted average lease escalation at 3.47%
(2016: 3.65%)

DPS ↑ 2.71%
to US$12.07 cps
(2016: US$11.75 cps)

US$156 million CAPITAL RAISED
by issue of 108.45 million shares

PORTFOLIO OCCUPANCY MAINTAINED AT 97%

Mainly driven by strategic vacancies in Anfa Place Shopping Center.

SEM-DIVIDEND YIELD – 8.75% annualised

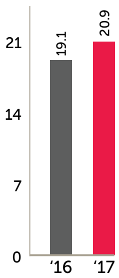
share price (31/8/17) US$1.39

JSE-DIVIDEND YIELD – 10% annualised

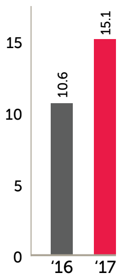
share price (31/8/17) ZAR15.90

KEY METRICS	2017	2016	% Change
Net operating income (US$m)	**20.9**	19.1	+9.4
Distributable income (US$m)	**15.1**	10.6	+42.5
Loan to value (%)	**41.6**	48.9	(7.3)
Cost to income (%)	**27.5**	25.7	+1.8

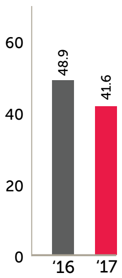
NET OPERATING INCOME (US$m)



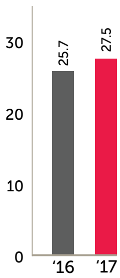
DISTRIBUTABLE INCOME (US$m)



LOAN TO VALUE (%)



COST TO INCOME (%)



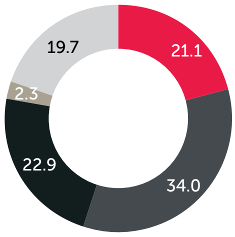
Mall de Tete

PORTFOLIO SUMMARY

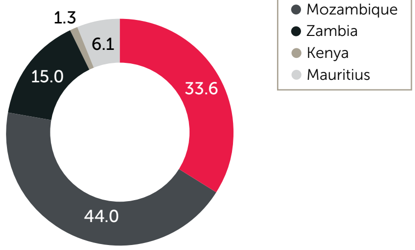
at 30 June 2017

GEOGRAPHIC PROFILE

by GLA (%)

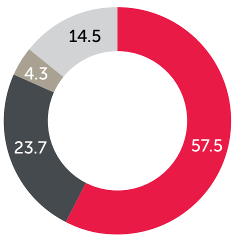


by Revenue (%)

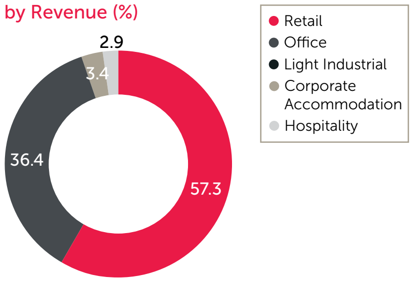


SECTOR PROFILE

by GLA (%)

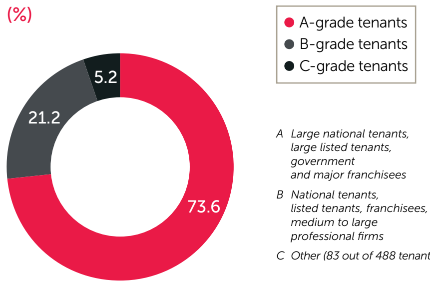


by Revenue (%)



TENANT PROFILE

(%)



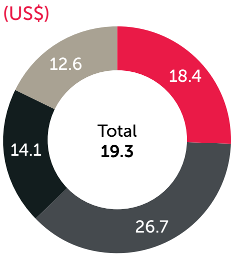
A *Large national tenants, large listed tenants, government and major franchisees*

B *National tenants, listed tenants, franchisees, medium to large professional firms*

C *Other (83 out of 488 tenants)*

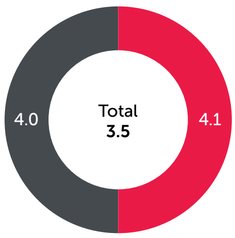
WEIGHTED AVERAGE GROSS RENTAL PER m^2 PER MONTH

(US$)



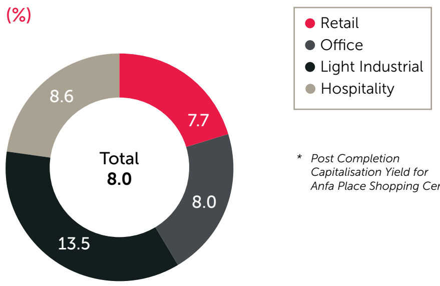
WEIGHTED AVERAGE RENTAL ESCALATION

(%)



WEIGHTED AVERAGE RENTAL YIELD*

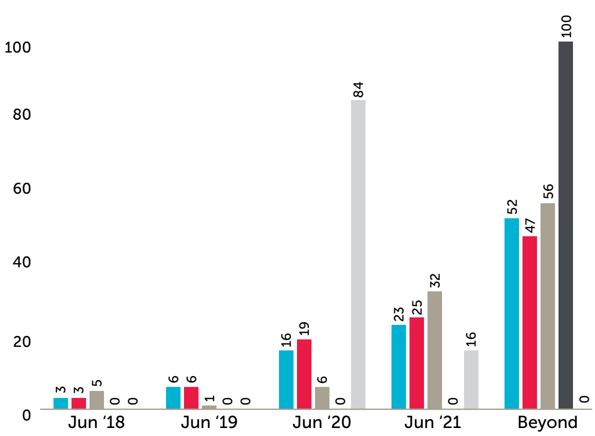
(%)



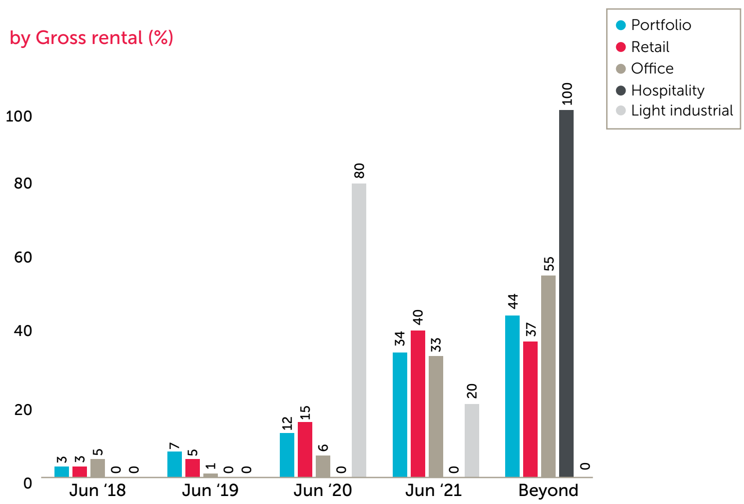
* *Post Completion Capitalisation Yield for Anfa Place Shopping Center*

LEASE EXPIRY PROFILE

by GLA (%)

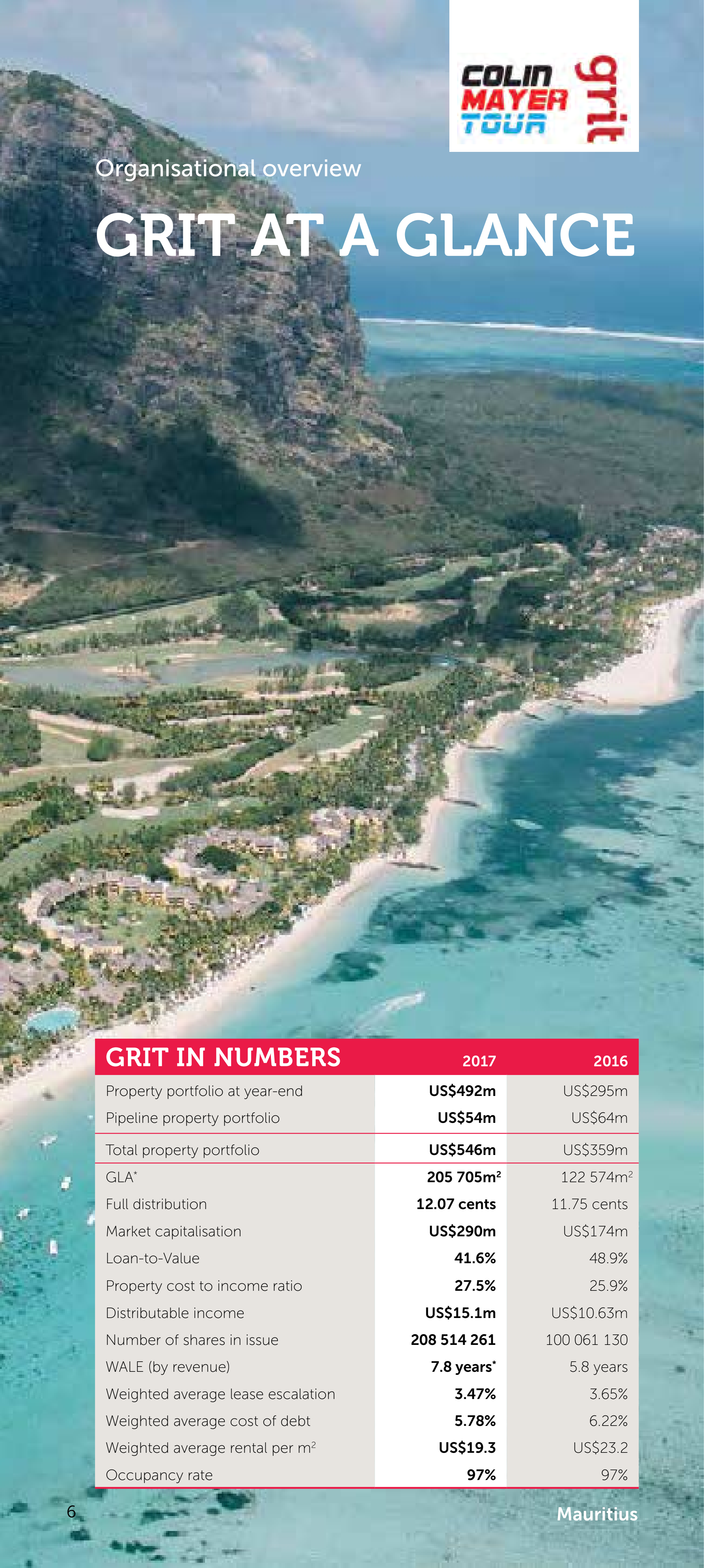


by Gross rental (%)



Organisational overview

GRIT AT A GLANCE

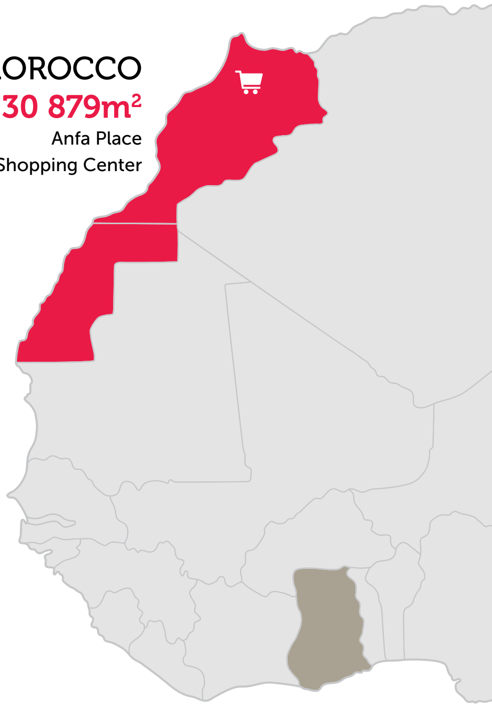


GRIT IN NUMBERS

GRIT IN NUMBERS	2017	2016
Property portfolio at year-end	**US$492m**	US$295m
Pipeline property portfolio	**US$54m**	US$64m
Total property portfolio	**US$546m**	US$359m
GLA*	**205 705m²**	122 574m²
Full distribution	**12.07 cents**	11.75 cents
Market capitalisation	**US$290m**	US$174m
Loan-to-Value	**41.6%**	48.9%
Property cost to income ratio	**27.5%**	25.9%
Distributable income	**US$15.1m**	US$10.63m
Number of shares in issue	**208 514 261**	100 061 130
WALE (by revenue)	**7.8 years***	5.8 years
Weighted average lease escalation	**3.47%**	3.65%
Weighted average cost of debt	**5.78%**	6.22%
Weighted average rental per m²	**US$19.3**	US$23.2
Occupancy rate	**97%**	97%

Mauritius

AFRICAN FOOTPRINT



- Grit Real Estate Income Group Limited ("Grit"), previously known as Mara Delta Property Holdings Limited, is a real estate income group;
- operates in pre selected African countries (excluding South Africa);
- that invests in real estate assets;
- underpinned by predominantly US Dollar and EURO denominated long-term leases;
- with high quality tenants delivering strong sustainable income;
- dual and primary listed on the official board of the SEM and the main board of the JSE;
- strong management team with over 59 years combined African experience supported by in-country asset and property management teams;
- supportive anchor key shareholders committed to growing platform; and
- track record of consistently achieving Dollar-based distribution forecasts at a Dollar yield in excess of 8%.

* *Post transfers and successful renegotiation of lease renewals.*

Anadarko Building

Retail **US$234.8 million***

Office **US$136.5 million***

Hospitality **US$125.6 million***

Corporate accommodation **US$21.8 million***

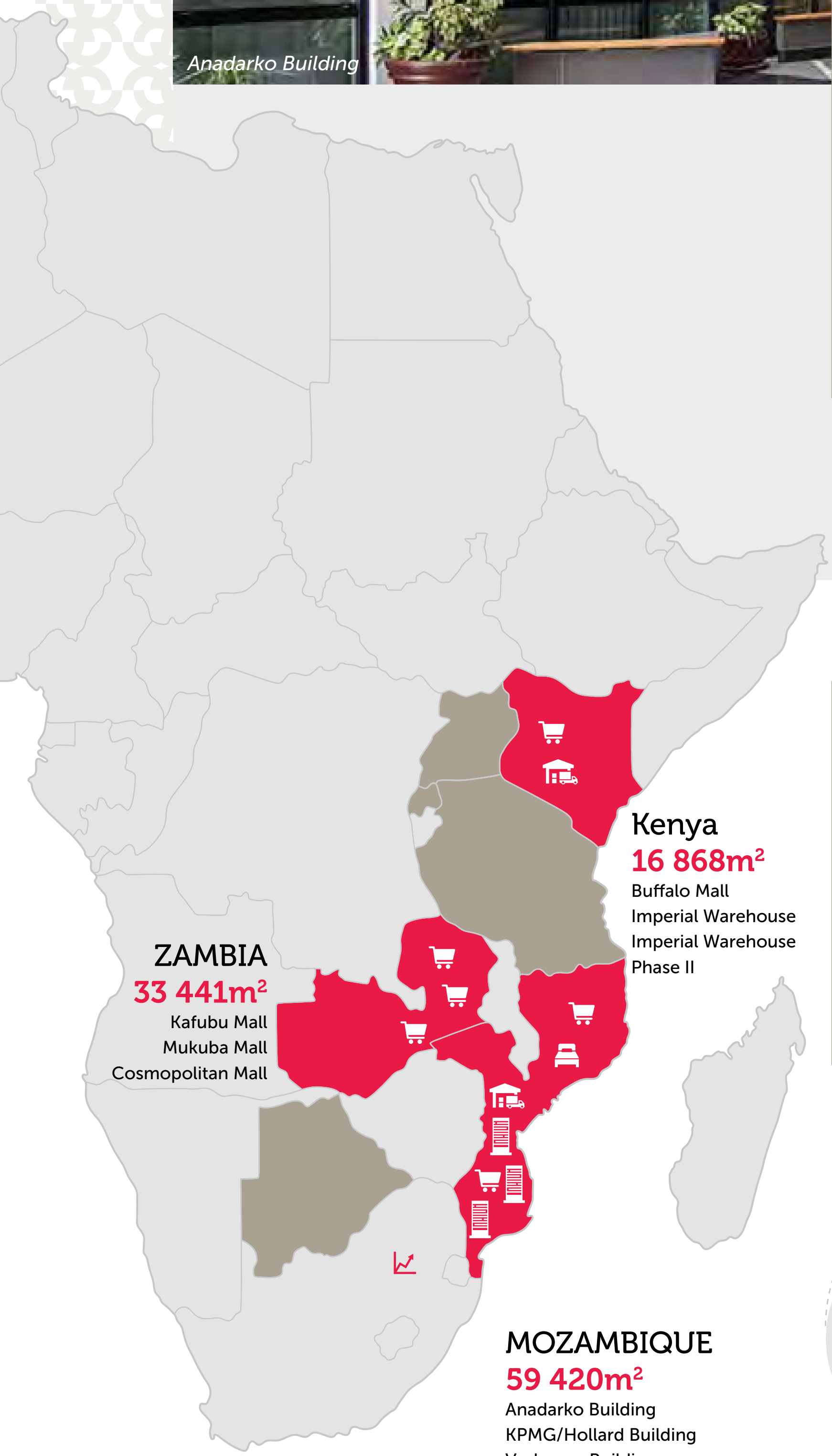
Light industrial **US$27.3 million***

* Property value-/acquisition price

Primary listings on SEM (share code DEL.N0000) and JSE (share code:GTR)

Current operating countries

Approved prospective jurisdictions



Kenya
16 868m²
Buffalo Mall
Imperial Warehouse
Imperial Warehouse Phase II

ZAMBIA
33 441m²
Kafubu Mall
Mukuba Mall
Cosmopolitan Mall

MOZAMBIQUE
59 420m²
Anadarko Building
KPMG/Hollard Building
Vodacom Building
Mall de Tete
Zimpeto Square
VDE Compound
Bollore Warehouse
Anadarko Phase II

OUR TENANT BASE

MAURITIUS
65 097m²
Barclays House
Victoria Beachcomber Resort & Spa
Mauricia Beachcomber Resort & Spa
Canonnier Beachcomber Resort & Spa
Tamassa Resort

STAKEHOLDER ENGAGEMENT

The directors recognise the need to conduct the enterprise with integrity and in accordance with generally acceptable corporate practices. This includes timely, relevant and meaningful reporting to shareholders and other stakeholders, providing a proper and objective perspective of the Company and its activities. The directors have, accordingly, established mechanisms and policies appropriate to the Company's business in keeping with its commitment to complying with best practices in corporate governance. The board will review these from time to time. The directors recognise that creating wealth and delivering value to all stakeholders are prerequisites for sustainability of the business as a going concern. Grit is committed to reporting openly on the key issues affecting the Company's operations, its corporate governance practices and any other information which may have a material effect on the decisions of stakeholders. The directors are cognisant that stakeholder perception may have an impact on the reputation of the Company and, as such, the board, as the ultimate custodian of corporate reputation and stakeholder relationships, considers a blend of shareholder and stakeholder interests in the context of its overarching duty to act in the best interests of the Company. Management engages with analysts and shareholders on a regular basis to ascertain expectations and perceptions of the Company.

Shareholders and investment analysts

- Annual General Meetings
- Annual and interim reports
- Results presentations
- Continuous one-on-one meetings with investors and analysts
- Investor roadshows
- Media announcements
- SENS
- Website updates
- Compliant and transparent reporting
- Integrated Report

Tenants

- Regular site visits
- Formal communication via email and letters
- Strategic discussions at management level
- Independent market research
- Early renewals

Employees

- Performance and development reviews
- Direct and regular communication
- Open door policy by executive management
- Formalised HR department

Governments and regulators

- Regular contact with the SEM and the JSE
- Interaction with FSC Mauritius
- Meetings with country Central Banks
- Detailed review of policies

Financiers

- Multi-bank approach
- Cash flow and solvency forecasts
- Report to financial stakeholders
- Monitoring of key financial ratios and covenants
- Site visits
- Ongoing negotiations with bankers and financiers to secure better rates and conditions
- Consideration of alternative sources of capital by the board and corporate advisors
- Debt markets
- Financier roadshows

Suppliers and service providers

- Supplier performance is monitored regularly
- Tenders are awarded based on price and quality
- Formal communication

Media

- Web broadcasts
- Press releases
- Television interviews
- One-on-one meetings
- Press engagements

TIMELINE

- Key events
- Acquisition of assets

2014

July 2014
Acquisition of Anadarko Building (Mozambique) as its 1st asset for US$32.5m

July 2014
Acquisition of Anfa Place Shopping Center (Morocco) for US$114.68m (VAT inclusive)

July 2014
Completion of inward listing on the JSE Limited's AltX board as Delta International

2015

March 2015
Maiden distribution of US$6.63cps

March 2015
Debut on Mauritius Stock Exchange (SEM) and migration from BSX

April 2015
Introduction of the Public Investment Corporation as Anchor Shareholder in US$42.0m capital raise

April 2015
Acquisition of Hollard/KPMG (Mozambique) building for US$14.9m

May 2015
Acquired the Vodacom Building (Mozambique) US$49m

June 2015
Maiden issue of shares on the SEM

August 2015
Paid distribution of US$4.65cps, taking FY2015 distribution to a total of US$11.28cps.

August 2015
Acquisition of Zimpeto Square (Mozambique) for US$10.2m

November 2015
Delta Africa and Pivotal merger announcement and formation of Mara Delta

December 2015
Acquired Kafubu Mall and Mukuba Mall (Zambia) for US$40.6m

2016

February 2016
Acquisition of Barclays House (Mauritius) for US$13.6m

March 2016
Paid distribution of US$6.17cps for six month period ended 31 December 2015

April 2016
Acquisition of Buffalo Mall (Kenya) & Bollore Warehouse (Mozambique) for US$14.8m (combined)

May 2016
Delta Africa officially becomes Mara Delta – the largest pan African income fund listed on the JSE and SEM

October 2016
Paid distribution of US$5.58cps, taking FY2016 distribution to a total of US$11.75 cps

December 2016
Acquisition of a 44.4% stake in Beachcomber Hospitality Investments (BHI), owner of three luxury resorts in Mauritius for US$83.4m

2017

March 2017
Acquisition of Tamassa Resort (Mauritius) from Lux Resorts for US$40m
Acquisition of Mall de Tete (Mozambique) for US$24.2m

March 2017
Paid fifth distribution of US$6.12cps

June 2017
Sixth distribution – clean out dividend for period 1 Jan 17 to 30 Apr 17 of US$4.57cps prior to rights offer

June 2017
Successful capital raise of US$121.2m by way of a rights offer at an issue price of US$1.40 per share

June 2017
Acquisition of Cosmopolitan Mall (Zambia) for US$37.2m

July 2017
Shareholders approved Grit's rebrand and name change, reflecting the Group's current reality and future growth ambitions

August 2017
Acquisition of Imperial Distribution Center (Kenya) for US$18m

Organisational overview

CORPORATE STRUCTURE

grit
Real estate income group

100%
Delta International Mauritius Limited


Tamassa Resort


Vodacom Building

	Kenya					Mauritius				Morocco
MAURITIAN COMPANY	IWH Kenya Investments Limited	THM Kenya Investments Limited	BME Kenya Investments Limited	IDC Kenya Investments Limited	Abland Diversified Holdings Limited	Paradise Property Investment Limited	Mara Delta (Mauritius) Property Limited	Leisure Property Northern (Mauritius) Limited	BH Property Investments Limited	Delta International Bahrain SPC*
COMPANY DOMICILED IN COUNTRY OF PROPERY	Mara Viwandani Limited			Warehousely Limited	50% Buffalo Mall Naivasha Limited			44.4% Beachcomber Hospitality Investments Limited		1% 99% Freedom Property Fund SARL
PHYSICAL PROPERTY	Imperial Land			Imperial Distribution Center	Buffalo Mall		Tamassa Resort	Le Cannonier, Le Victoria, Le Mauricia	Barclays House	Anfa Place Shopping Center

Kenya: See page 14 for more

Mauritius: See page 15 for more

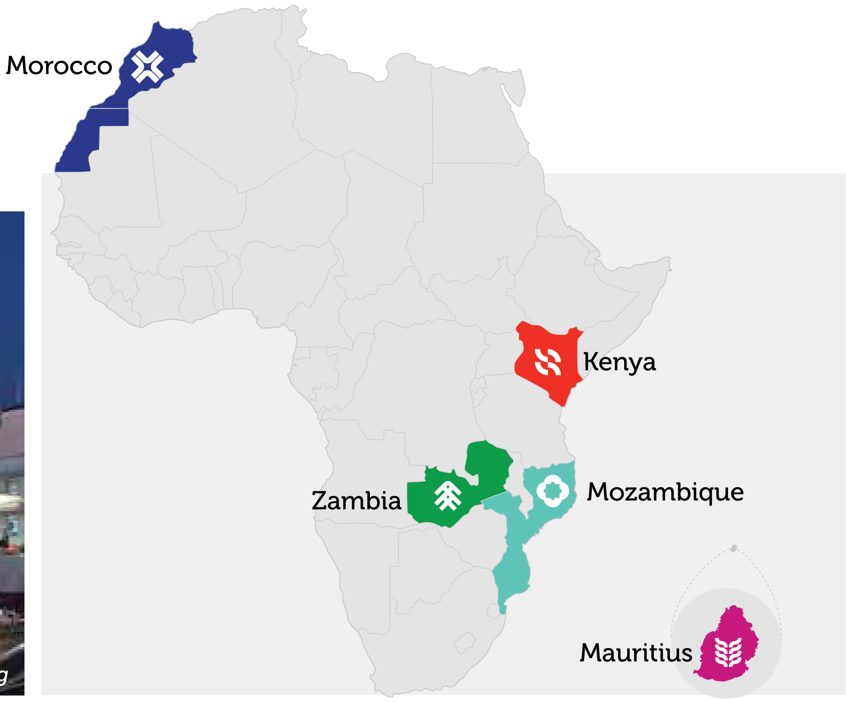
Morocco: See page 17 for more

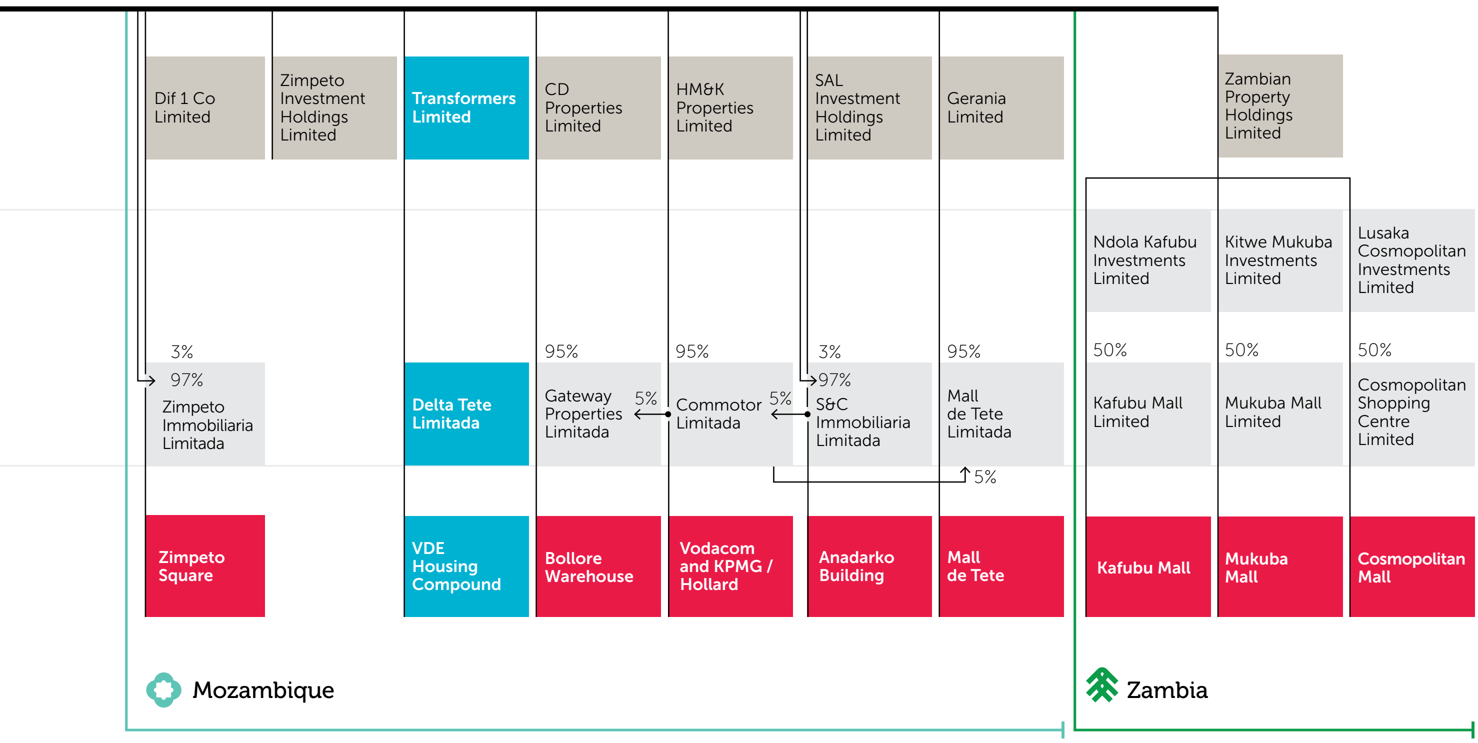
● Mergers, acquisitions not finalised and properties pending transfer at time of publication.

100% Shareholding unless otherwise indicated.

** Delta International Bahrain SPC is incorporated in the Kingdom of Bahrain*

Hollard Building





See page 18 for more

See page 20 for more

Organisational overview

PROPERTY PORTFOLIO

Details of these properties are detailed below:

Buffalo Mall

Properties acquired before 30 June 2017

Property	GLA m²	Acquisition date	Functional currency	Effective purchase price US$	Geographical sector	Property type
Anadarko Building	7 805	23 Jul 14	US$	32 500 000	Mozambique	Office
Anfa Place Shopping Center	30 879	23 Jul 14	MAD	114 680 000	Morocco	Retail
Barclays House	7 700	16 Feb 16	MUR	13 604 300	Mauritius	Office
Hollard Building	4 945	28 Apr 15	US$	14 930 000	Mozambique	Office
Vodacom Building	10 995	22 May 15	US$	49 000 000	Mozambique	Office
Zimpeto Square	4 764	31 Aug 15	US$	10 200 000	Mozambique	Retail
Bollore Warehouse	6 374	30 Apr 16	US$	8 600 000	Mozambique	Light Industrial
Tamassa Resort	21 117	30 Mar 17	EUR	40 000 000	Mauritius	Hospitality
Mall de Tete	11 571	01 Mar 17	US$	24 220 000	Mozambique	Retail
Buffalo Mall (50%)	3 308	30 Apr 16	US$	6 075 000	Kenya	Retail
Mukuba Mall (50%)	14 115	01 Dec 15	US$	31 531 467	Zambia	Retail
Kafubu Mall (50%)	6 071	01 Dec 15	ZMW	9 076 831	Zambia	Retail
Cosmopolitan Mall (50%)	13 256	30 Jun 17	US$	37 170 000	Zambia	Retail
Total portfolio	**142 899**					

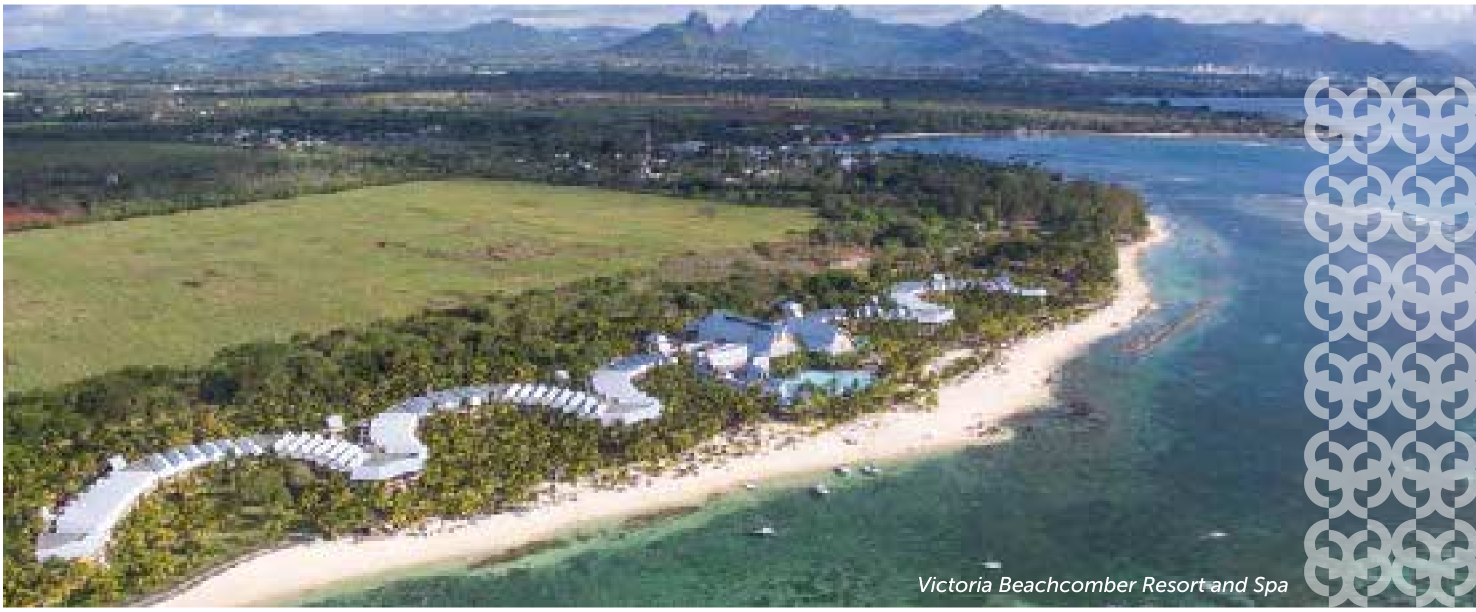
Acquisition commitments post 30 June 2017

VDE Compound	12 966	30 Sep 16	US$	33 085 000	Mozambique	Corporate accomodation
Imperial Distribution Center	13 560	31 Aug 17	US$	17 954 129	Kenya	Light Industrial
Imperial Distribution Center Phase II		01 Apr 18	US$	2 996 000	Kenya	Light Industrial
Beachcomber (44.43%)	36 280	02 Dec 16	EUR	83 397 944	Mauritius	Hospitality
	62 806					
Total property portfolio	**205 705**					

 # Post completion yield

** Tenant profile*

See page 5 for descriptions of Grades A, B, C



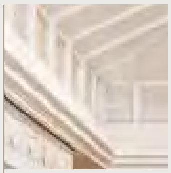
Victoria Beachcomber Resort and Spa

Tenancy profile *	Vacancy (%)	Weighted average rental per m² US$	WALE – GLA	WALE – Rent	Valuer	Valuation date	Valuation US$	Average annualised property yield (%)
A – B	0.0	43.7	9.4	9.4	REC	25 Jul 17	42 570 000	8.93
A – C	19.0	19.6	4.7	5.0	CBRE	31 Dec 15	102 369 796	7.70#
A – B	0.0	12.8	9.8	9.8	CBRE	28 Apr 17	14 414 769	7.05
A – B	0.0	26.7	1.9	2.0	JLL	31 Mar 17	18 500 000	8.10
A	0.0	24.1	3.5	3.5	JLL	31 Mar 17	48 700 000	7.40
B – C	0.0	22.5	4.5	4.6	JLL	31 Mar 17	11 470 000	7.90
A	0.0	14.1	2.9	2.9	JLL	31 Mar 17	6 500 000	13.49
A	0.0	12.6	9.7	9.7	CBRE	12 Jun 17	43 814 209	8.57
A – C	0.0	19.1	5.7	5.5	JLL	30 Nov 16	24 220 000	9.62
A – C	6.3	9.8	9.3	6.3	JLL	31 Mar 17	6 025 000	6.42
A – C	0.0	17.9	3.7	3.5	Quadrant	28 Feb 17	36 091 617	7.25
A – C	0.2	15.4	3.5	3.4	Quadrant	28 Feb 17	12 152 797	7.89
A – C	2.4	17.6	5.1	4.8	Quadrant	31 Mar 17	38 380 000	7.28
A	0.0	27.9	3.3	3.3	JLL	31 Jun 17	34 300 000	10.64
A	0.0	9.8	9.7	9.7		30 Jun 16	17 954 129	8.02
A	0.0	n/a	n/a	n/a		30 Jun 16	2 996 000	
A	0.0	14.6	14.5	14.5	CBRE	25 Nov 16	83 397 944	7.61

resilience

Portfolio overview

Kenya



Buffalo Mall

(50% ownership)

Located in Naivasha, Kenya, Buffalo Mall is a new three phase shopping center developed by KenAfrique and Lloyd Capital Partners. The 50% share was acquired in April 2016.

Sector
Retail
Anchor Tenant
Tusky's
Grade **B**

GLA
3 308m²
–our share

Valuation
US$3.0m
–our share
Occupancy
93.7%

Imperial Warehouse

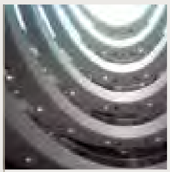
The distribution warehouse is located in Nairobi, Kenya and comprises pharmaceutical pallet locations, as well as consumer and cold-chain pallet locations and was originally custom-developed for Imperial Health Sciences.

Sector
Light Industrial
Anchor Tenant
Imperial Health Sciences Kenya
–single-tenanted
Grade **A**

GLA
13 560m²
Valuation
US$20.9m
Occupancy
100%

Portfolio overview

Mauritius



Barclays House

A modern office block conceptualised by the Jade Group and situated in Cybercity, Ebène, Mauritius. The building has been carefully designed with an open atrium to maximise the natural light. The building, which was acquired in February 2016, consists of ground plus six floors offering a gym and cafeteria on the ground floor. Barclays House is the Head Office to Barclays Bank PLC, who occupy five of the floors.

Sector
Office

Anchor Tenant
Barclays Bank

Grade **A**

GLA
7 700m²

Valuation
US$14.4m

Occupancy
100%

Canonnier Beachcomber Resort & Spa (44.4% ownership)

One of the best family resorts in Mauritius, Canonnier Beachcomber Resort & Spa stands proudly above the coastline on a historic peninsula commanding the only location on the island with both sunrise and sunset views. The leisure resort comprises 284 rooms. The resort has recently been renovated.

Sector
Hospitality

Anchor Tenant
Beachcomber

Grade **4 star**

GLA
10 675m²

Rooms
284

Valuation
US$24.4m

Portfolio overview

Mauritius

Mauricia Beachcomber Resort & Spa

(44.4% ownership)

Mauricia Beachcomber is a four-star resort in the heart of Grand Baie with 238 rooms. The resort is within walking distance of the lively village of Grand Baie, one of Mauritius' main tourists' hubs, providing guests with a choice of restaurants, bars, discotheques and boutiques. Guests also have full access to the facilities of sister hotel Canonnier Beachcomber, another Beachcomber hotel located close to Mauricia Beachcomber.

Sector
Hospitality

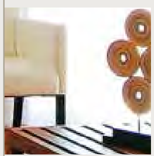
Anchor Tenant
Beachcomber

Grade **4 star**

GLA
9 837m²

Rooms
238

Valuation
US$23.3m



Victoria Beachcomber Resort & Spa

(44.4% ownership)

Sector
Hospitality

Anchor Tenant
Beachcomber

Grade **4 star**

GLA
15 768m²

Rooms
254

Valuation
US$30.8m

Located on the beach in Pointe aux Piments in the North West of Mauritius, the 4-star resort Victoria Beachcomber has 254 rooms, 3 restaurants and excellent facilities, especially for the group and incentives market. The rooms are among the largest and most stylish in the 4-star category on the island, making them ideal for family holidays as most rooms can accommodate two adults and two children.

An additional 40 rooms are being built and will be completed in November 2017.

Tamassa Resort

Located on the pristine beach in Bel Ombre, in the South West of the island of Mauritius. The 214 key 4-star resort opened in 2007 and was built to international upscale standards with an average room size of 44 square meters. The Resort is operated by LUX* Resorts & Hotels, a member of Lux Island Resorts Co Ltd Tamassa was awarded Tripadvisor Travelers Choice Award 2016 and Tripadvisors prestigious Certificate of Excellence 2016.

Sector
Hospitality

Anchor Tenant
Lux Resorts

Grade **4 star**

GLA
21 117m²

Rooms
214

Valuation
US$43.9m

Portfolio overview

Morocco

Anfa Place

Located in one of Africa's most important cities, Casablanca, Morocco, this mall was designed by Architect Sir Norman Foster and developed in 2013 by Inveravante. It forms part of a mixed use complex, including offices, luxurious residential apartments, a Four Seasons hotel and the Pestana hotel suites.

The shopping center is situated in the prestigious area of Anfa in Casablanca and was acquired in July 2014 and is anchored by Label Vie (Carrefour), Alshaya (H & M), (M & S) and Alhokair (Virgin Mega Store).

The mall offers over 80 international brands spanning across three levels.

Sector
Retail

Anchor Tenants
Starbucks, Virgin Megastore, Carrefour, American Eagle, Nine West, Terranova, H & M and M & S.

Grade **A**

GLA
30 879m²

Valuation
US$102.3m

Occupancy
81%

Portfolio overview

Mozambique

Anadarko

Developed in 2013 and located in the most prestigious upcoming business node in Mozambique's capital of Maputo. This six-storey building, offering 185 parking bays, was developed as a bespoke building for Anadarko by S&C Immobiliara Limitada.

This was the first asset acquired by the Group and is anchored by Anadarko Petroleum.

The site has a current GLA of 7805m2, however, the second phase development has begun, which will increase the GLA by an additional 4000m2. The second phase is expected to be completed in November 2017.

Sector
Office
Anchor Tenant
Anadarko Petroleum
Grade **A+**
GLA
7 805 + 4 000m²
Valuation
US$42.57m
(before second phase development)

Bolloré Warehouse

This light industrial warehouse complex is situated in Pemba Mozambique and houses seven warehouses. The warehouse complex was acquired in April 2016. Due to the superior location, this asset is a redevelopment opportunity.

Sector
Light Industrial
Anchor Tenant
Bolloré Africa Logistics and Plexus Cotton

Grade **B**
GLA
6 374m²
Valuation
US$6.5m
Occupancy
100%

Hollard Building

Located in Maputo's trendy downtown business node, this three-storey building was developed in 2008 by Commotor Limitada, offers offices and a café, providing its tenants the perfect work life balance.

The building is anchored by blue-chip companies KPMG, BP and Hollard and was acquired in April 2015.

Sector
Office
Anchor Tenants
Hollard, KPMG and BP
Grade **A**
GLA
4 945m²
Valuation
US$18.5m
Occupancy
100%

Mall de Tete

Sector
Retail

Anchor Tenants
Shoprite, Choppies and Jet

Grade **B**

GLA
11 571m²

Valuation
US$24.2m

Occupancy
100%

Located in Tete, Mozambique, a strategic node outside of the cosmopolitan area, this strip retail mall was built and developed by the McCormick Property Development Group. The Mall de Tete focuses on basic everyday needs in term of its fashion and retail offering, as well as services such as catering, banks, etc.

This early stage, dominant center is anchored by two food retailers, Choppies and Shoprite. Independent market consultant Fernridge Consulting highlighted that Mall de Tete rated "Excellent" (79%) in terms of catchment area (comprising of Tete, Moatize, and all districts within a 100km radius). This rating was achieved because of increased traffic volumes past the site and the development of new residential schemes.

VDE Compound

Tenanted by Vale and Barloworld, the Vale compound offers prime accommodation within Tete, Mozambique and features 83 three-bedroom units and 40 two-bedroom apartments with air-conditioning. Sport and recreation facilities such as tennis courts and a swimming pool complete the offering.

Sector
Corporate accommodation

Anchor Tenants
VALE and Barloworld

Grade **B**

GLA
12 966m²

Valuation
US$34.3m

Occupancy
100%

Vodacom Building

Located in Maputo's Biaxa business node, the building was developed in 2009 by Sociedade De Construcoes Catemba Limitada. Acquired in May 2015, this iconic multi-storeyed building is tenanted by Vodacom Group Limited.

Sector
Office

Anchor Tenant
Vodacom

Grade **A**

GLA
10 995m²

Valuation
US$48.7 m

Occupancy
100%

Zimpeto Square

Located 13km north of central Maputo, offering shopping convenience outside the busy city center in a key junction, Zimpeto Square was developed in 2012. The shopping center was acquired in August 2015.

Sector
Retail

Anchor Tenants
Millennium BIM Bank, Sonae, Vodacom

Grade **B+**

GLA
4 764m²

Valuation
US$11.5m

Occupancy
100%

Portfolio overview

Zambia

Cosmopolitan Mall (50% ownership)

Cosmopolitan Mall was developed in 2015, by the Heriot Group and is located in Makeni in Lusaka, Zambia. Anchored by strong multi-national anchor tenants including Game, Shoprite and The Foschini Group. Cosmopolitan Mall's strategic location in Makeni incorporates public transport access, including a mini-bus taxi rank to capitalise on severe congestion and long travel times associated with Lusaka traffic. The mall boasts 1 300 parking bays. Located in Lusaka, Zambia.

Sector
Retail

Anchor Tenant
Game, Shoprite
Grade **A**

GLA
13 256m²
–our share

Valuation
US$38.4 million
–our share

Occupancy
97.6%

Kafubu Mall

(50% ownership)

Located in Ndola, Zambia, Kafubu Mall is the dominant retail shopping and leisure mall developed by the Heriot Group. The 50% share in the mall was acquired in December 2015. Kafuba Mall offers over 12 000m2 of retail shopping, banks and food court, together with 180 parking bays.

Sector
Retail

Anchor Tenant
Shoprite
Grade **B**

GLA
6 071m²
–our share

Valuation
US$12.2m
–our share

Occupancy
100%

Mukuba Mall

(50% ownership)

Located in Kitwe, Zambia, developed in 2015 by the Heriot Group. This family oriented mall offers over 28 000m2 of retail shopping with anchor tenants being Shoprite, Game and Pick n Pay. The 50% share in the mall was acquired in December 2015.

Sector
Retail

Anchor Tenant
Shoprite, Game and Pick n Pay
Grade **A**

GLA
14 115m²
–our share

Valuation
US$36.1m
–our share

Occupancy
99.8%

Each environment has a unique spatial signature

An urban DNA

resilience

"Resilience is all about being able to overcome the unexpected"

– Jamais Cascio

Barclays House


Canonnier Beachcomber Resort and Spa

Leadership overview

CHAIRMAN'S STATEMENT

Sandile Nomvete
BOARD CHAIRMAN

Dear Stakeholder,

This is our fourth integrated annual report and the first under our new name and brand as Grit Real Estate Income Group. The primary purpose of this report is to explain to financial capital providers how we created value during the operating period and how we plan to do so in the future. It is aimed at providing you with a concise and transparent overview of our business activities as well as our impact and performance against legislative requirements, standards and best practice including the six capitals of value adopted by the International Reporting Council.

Refer to page 40 for Grit's performance against the six capitals.

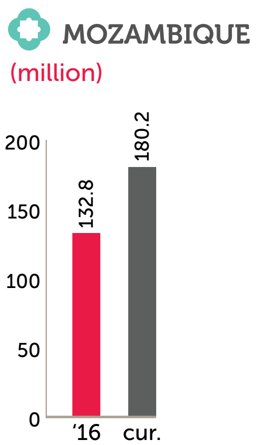
Since our formation and the acquisition of our initial portfolio in 2014, our focus has been on growing the first publicly traded African real estate pureplay whilst delivering consistent US Dollar-based distributions to shareholders against forecast targets.

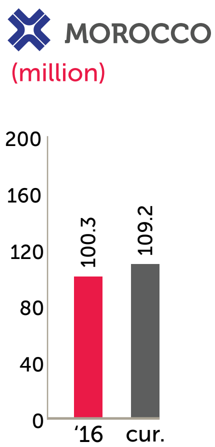
I am therefore particularly proud to report on an exceptional year where we grew and diversified the overall investment portfolio significantly and paid out our seventh consecutive distribution to shareholders.

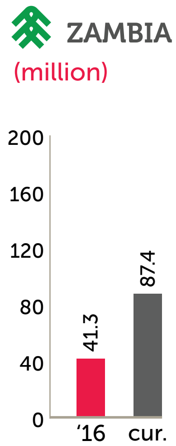
Distribution no	1	2	3	4	5	6	7
Full/half year	H1 2015	H2 2015	H1 2016	H2 2016	H1 2017	H2 2017(1)	H2 2017(2)
Description	Interim distribution	Final distribution	Interim distribution	Final distribution	Interim distribution	Clean-out distribution	Final distribution
Amount (US$ cps)	6.636	4.648	6.170	5.580	6.120	4.570	1.380

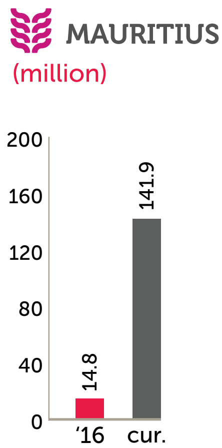
We operate across five territories in Mozambique, Morocco, Mauritius, Zambia and Kenya. The Board has a self-imposed soft parameter to limit country exposure to 25% of the total investment portfolio. During the review period we successfully expanded and diversified the portfolio to include hospitality assets through sale-and-leaseback contracts with some of the industry's leading leisure operators, and we increased the retail portfolio with the successful transfer of Mall de Tete in Mozambique and our 50% stake in Cosmopolitan Mall in Zambia.

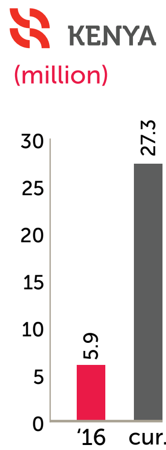
Our total investment portfolio, transferred to date was valued at US$546 million (30 June 16: US$295 million), segmented across the following operating areas:











CHAIRMAN'S STATEMENT continued

These achievements are set against a backdrop of some of the most testing economic circumstances in Mozambique, where 33% of our assets are currently located. Our ability to repatriate foreign currency, maintain vacancies at negligible levels and continuously attract funding at competitive rates in that country, bears testimony not only to the quality of our assets and risk & compliance processes, but also of the political will of the Mozambican administration to solve these challenges as soon as possible.

US$121.2 million capital raise and rebrand to Grit

In my previous report, I elaborated on our transformation when the then Delta Africa combined its operations with the Africa interests of the then JSE-listed The Pivotal Group. This proved a significant stepping stone for the newly rebranded Mara Delta, as it provided us with economies of scale and access to a considerable acquisition and development pipeline through promotor agreements with a consortium headed by The Pivotal Group, which included Abland Africa Limited, Carlisle Property Holdings Limited and Mara Group.

Towards the end of 2016, however, The Pivotal Group was acquired and delisted by Redefine Property Holdings, one of the JSE's largest property REITs. Given that the consortium dissolved following The Pivotal Group's acquisition, the promotors' agreements ceased and Ashish J Thakkar (founder and CEO of the Mara Group) resigned as non-executive director from the Board with effect from 26 November 2016. Dave Savage (managing director of the Abcom Group) subsequently did not stand for re-election at the Company's Annual General Meeting on 29 November 2016.

In March this year we embarked on an ambitious project to raise US$138.45 million in fresh capital. The primary strategy behind the capital raise was to settle several pipeline acquisitions; retire some more expensive debt facilities; and acquire a minority stake in a development company. I will elaborate more on this under the "Strategy" heading.

Currency volatility, macro-economic headwinds in some operating countries and the fallout that US politics and rhetoric had on the world economy made this an exceptionally difficult task as the market price of our shares fell to below the rights offer price of US$1.40 per share.

The fact that we successfully raised US$121.2 million in a well-supported rights offer is a result of Bronwyn and her team's grit and tenacity to deliver regardless of the challenge. The capital raise not only enabled us to consolidate our pipeline, but also introduced new key strategic shareholders to the Company who will support our longer-term growth strategy.

The transaction with Pivotal in the prior year and the capital raise concluded in June this year represent two very significant milestones that changed the growth trajectory of the Company significantly. In January 2017, the board mandated Bronwyn and her team to seek shareholder approval to change the Company's name and brand to reflect not only its new current reality, but will be futureproof as it grows into its longer-term ambitions as well.

After the capital raise, Grit Real Estate Income Group was launched to staff and to the capital markets in Mauritius and in Johannesburg, following tremendous shareholder support for the new brand.

Macro-economic overview

According to the International Monetary Fund's Regional Economic Outlook published in May 2017[1] growth in sub-Saharan Africa has slowed to its lowest in two decades. The IMF's report highlights that, although there are some economies that outperform (e.g. Kenya with economic growth of 6%) more than two-thirds of countries in the region (representing 83% of the region's GDP) slowed down to below 1.4%. The IMF attributes these headwinds mainly to the slump in world demand for resource commodities, with specific reference to oil exporters such as Nigeria, Angola and the CEMAC countries. In contrast, non-resource intensive countries (where most of our operations are based) continued to experience relative robust growth.

In contrast to the recent past, overall access to international capital markets contracted significantly during the reporting period, with only Ghana and Nigeria tapping the market since early 2016. In countries with flexible exchange rates where the authorities resisted depreciations, the level of international reserves continued to fall.

East Africa remains the most buoyant region on the continent, with four key economies (Kenya, Ethiopia, Tanzania and Uganda) projected to grow at 6% and above for the decade. According to EY's Attractiveness Programme Africa published in May 2017[2] inflation in most of the sub-continent has peaked and is declining, allowing the space for central banks to ease interest rates. This, in itself, will add stimulus to economic growth, and should interest rates at the very least remain stable, consumer disposable income will support even stronger growth through 2017.

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1 https://www.imf.org/en/Publications/REO/SSA/Issues/2017/05/03/sreo0517

2 EY's Attractiveness Programme Africa (May 2017): http://www.ey.com/Publication/vwLUAssets/ey-attractiveness-program-africa-2017-connectivity-redefined/$FILE/ey-attractiveness-program-africa-2017-connectivity-redefined.pdf

The report, however, highlights a number of risks that need to be managed. Countries with high and rising twin fiscal and trade deficits remain at risk of currency devaluation. This becomes all the more evident where national debt levels are either rising rapidly or are already at high levels. Mozambique is the most notable example, although this has not impacted its growth outlook.

FDI project trends in Africa

According to the EY's Attractiveness Programme Africa 2017 report, key hub economies of South Africa, Nigeria, Kenya, Egypt and Morocco remained Africa's top recipients by FDI projects.

In 2016, real estate, hospitality and construction accounted for more than 40% of the capital investment into Africa on the back of several large-ticket projects, including a US$20 billion investment by China Fortune Land Development Co. Ltd. to develop the second phase of Egypt's new administrative capital.

In line with previous years, Western Europe continued to be the largest regional investor in Africa in 2016, making up 37.7% of FDI projects and 13.3% of capital investment. The UK, which has led Western European investment in Africa since 2010, saw its share of FDI projects ease from 10% in 2015 to 6.1% in 2016. The more notable decline was in FDI jobs, down by a significant 81.4%. The Brexit vote at the end of June 2016 and the resulting uncertainty seem to have had an immediate impact on UK investment into Africa. Governments across the continent will need to redefine their trade and investment relations with a post-Brexit UK. Most of the existing trade arrangements that African countries have with the UK have been negotiated through the EU. In contrast to the UK, France moved up the rankings, becoming the second largest investor. France invested in 81 FDI projects in 2016, up 39.7% on 2015, with total investment of US$2.1b, and creating 8 087 jobs.

Morocco remains the favourite destination, getting 27.2% share of FDI projects, with higher project numbers also in South Africa (12.4% share), Cote d'Ivoire (12.4%) and Tunisia (8.6%). With a 50% increase in FDI projects, Switzerland became the seventh largest investor in Africa, up from tenth position in 2015. Swiss investors were particularly strong in consumer products and retail (18.5% of FDI projects), followed by real estate, hospitality and construction, and transport and logistics with a 14.8% share each. Nigeria and South Africa were the largest destinations for Swiss FDI projects, securing 14.8% each, followed by Morocco (11.1%).

Risk management

Earlier in my report I referred to the economic downturn in Mozambique as a case study on the effectiveness of Grit's risk and compliance structures.

The Investment Committee's decisions are guided by key investment gates including macro-economic growth forecasts; political stability; repatriation of currency; the ability to secure long-term hard currency lease contracts; and local debt facilities.

In addition, there is a self-imposed soft limit of 25% exposure to a single country as well as Political Risk Insurance (PRI) against currency convertibility and repatriation in Morocco and Mozambique.

Our approach to risk, the risk framework and processes to mitigate risk are discussed in more detail in the Key Risks and Corporate Governance sections of this Integrated Report.

Financial performance

Prior to the capital raise discussed above, the Company declared and paid out its sixth consecutive distribution. A distribution of US$1.38 cents per share was declared post the year-end, bringing the total distribution for the reporting period (including the interim and clean-out distribution) to US$12.07 cents, in line with the Company's target distribution growth of 2% to 4% against the prior year's distribution of US$11.75 cents.

Net asset value has dropped by 7.6% to US$150.94 cps from US$163.27 cps reported in the prior year. There are a number of factors that influenced this drop with the main two factors being the clean-out dividend followed by the successful rights issue where 86 million shares were issued at US$1.40 per share.

Loan-to-value has decreased from 48.9% in the 2016 financial year, to 41.6%. It should be noted that, although Grit distributes income similar to listed Real Estate Investment Trusts (REITS), it is not a REIT and targets a debt:equity ratio of approximately 50% to allow for a more efficient gearing structure.

During the year, Leon and his team very successfully reduced our cost of debt from 6.22% to 5.78% with cost-to-income slightly worsening from 25.7% to 27.5%.

Vacancies remained low with the exception of planned vacancies as a result of the refurbishment of Anfa Place Shopping Center in Morocco. Bronwyn elaborates more on this in her CEO report.

CHAIRMAN'S STATEMENT continued

Governance and board

Following Redefine's acquisition of The Pivotal Group and the subsequent dissolvement of the consortium represented by Pivotal, Mr. Ashish J Thakkar resigned from the board with effect from 26 November 2016 and Mr. Dave Savage did not stand for re-election at the last Annual General Meeting of shareholders held on 29 November 2016.

On behalf of the board, I wish to thank Ashish and Dave for their valuable contributions during their tenure.

The board was bolstered with the appointment of Ms. Matshepo More as a non-executive director on 7 February 2017.

Matshepo is a qualified Chartered Accountant and is a member of the South African Institute of Chartered Accountants (SAICA), bringing a wealth of financial, corporate and real estate experience to the Grit board. She joined the Public Investment Corporation ("PIC") in March 2009 and in November 2011 was appointed as the Chief Financial Officer. Prior to joining PIC, she was with Deloitte & Touche. Ms More holds board positions with Pareto (Pty) Ltd, CBS (Pty) Ltd and the PIC.

I wish to welcome Matshepo on behalf of the board and the Grit team and look forward to her contributions.

Following the rights offer whereby a BEE consortium became a new shareholder of Grit the Board will welcome Ms. Nomzamo Radebe as a Non-Executive Director and will be appointed at the upcoming AGM.

Nomzamo is the CEO of JHI Properties, one of South Africa's leading property services companies. She is a qualified chartered accountant with a successful career spanning over 19 years, having started her career in treasury management and later progressed into the property sector, where she has served in various senior roles for the past 11 years. She has extensive experience in property development as well as property asset management. The management of GRIT is of the view that she could be an eloquent replacement of Mrs. van Niekerk on the Board for her extensive experience in the real estate sector.

As part of the Board's commitment to good Corporate Governance we acknowledge that the composition of the Board in terms of its members, where possible, should be independent. To this end we are welcoming Ms. Catherine McIlraith as an Independent Non-Executive Director to be appointed at the upcoming AGM.

Catherine currently acts as a financial advisor and works on corporate finance mandates involving debt and equity raising. She is a qualified chartered accountant with a successful career spanning 25 years. She currently serves as Independent Non-Executive Director on the Boards of three listed companies in Mauritius.

REITs As Growth Driver

The South African-listed real estate market provides an excellent case study on the impact that promulgation of REIT status can have. The introduction of REIT status was a catalyst in transforming the sector from obscurity to the best performing asset class over the past years.

Although historically low interest rates and a large, sophisticated market played a role, the synergy between real estate as an investment class and the investment mandates of pension funds is clear once structured correctly.

Until recently, REITs have been only marginally successful within many of the African countries that have established REIT frameworks. This is mainly because of a lack of education amongst key institutional investors as well as the contexts in which these markets are emerging: In a number of instances REITs are structured or classified as Collective Investment Schemes with a minimum real estate investment requirement, but not tax incentive or structuring.

In certain countries, including Morocco, Ghana, Kenya and Rwanda, pension funds and regulators are actively working towards transforming REIT structures to attract investment and development capital, with a significant amount of effort going into creating awareness of the structure.

The board believes that, over time, transformation of REIT structures will create a platform for growth on the continent and has mandated the executive team to engage with both pension funds and regulators on this matter in key current and target jurisdictions, including Kenya, Morocco, Ghana and Rwanda.

Strategy

Grit will remain asset class agnostic in its approach to investment opportunities, focusing on the strength of the counterparty, the ability to negotiate long-term hard currency leases and attractive debt arrangements.

During the year under review, the Company concluded significant transactions with two of the leading hospitality conglomerates in Mauritius – Lux Resorts Islands Limited and New Mauritius Hotels Limited, owner of the Beachcomber hospitality brand. These transactions were structured on a long-term triple net basis, with recourse to the listed holding companies, which means Grit assumes no direct hospitality risk. (A triple net lease is where the tenant is responsible for the maintenance, rates and taxes and insurance of the asset).

Given Grit's exposure limits, the Company set up a subsidiary company called Paradise Property Investments Ltd ("Paradise Property") as an entity holding a Category 1 Global Business Licence. The Class B shares of Paradise Property have been listed on the Stock Exchange of Mauritius. Paradise Property will house Grit's hospitality assets, allowing it to enter into similar lucrative transactions, while the listing will provide shareholders with a hospitality-specific investment focus and the opportunity to participate in an exciting opportunity.

During the review period, Grit negotiated the acquisition of a minority stake in a private equity funded development company. In terms of the transaction, Grit has right of first offer on any of the developed and tenanted assets that fit its investment criteria. The rationale for the investment is to benefit from the initial NAV uplift without assuming development risk and to secure a pipeline of high quality assets into the future.

Outlook

The economic outlook for the region remains depressed, despite outperforming economies, some of which Grit operates in. Economic uncertainty in Europe following Brexit and the impact of the United States' foreign policy will remain key drivers, as will domestic policy, to unlock growth.

Recent corporate action and production activities by large resource companies in some of the resource-driven economies, notably Mozambique, are encouraging.

Nodal development is a function of large infrastructure development and we will be following the activities of the development bank set up by the so-called BRICS countries (Brazil, Russia, India, China and South Africa) with interest. The bank, capitalised with US$100 billion, at the time of writing opened its Africa regional center with a target of ending 2018 with a total loan book of about $8 billion for approximately 35 projects.

Our immediate to medium-term focus is to refinance debt in the 2018 and 2019 financial years and to continue growing the portfolio to around US$1 billion over the next two years.

Appreciation

I would like to extend a special word of thanks to our shareholders who supported us during the capital raise – we look forward to growing Grit to its full potential with you. Welcome to our new shareholders, we are excited about the journey ahead and look forward to your continued support.

To my fellow board members, thank you for your input and support during a tough but exciting year.

Finally, I would like to commend the executive team and staff for the exceptional work, dedication and grit that they've shown in making this year a success on all levels.

Sandile Hopeson Nomvete
Chairman

20 September 2017

REPORT FROM THE CEO

Bronwyn Anne Corbett
CHIEF EXECUTIVE OFFICER

Financial performance

Overview

In contrast to a number of years ago where high demand on the continent drove real estate prices to unsustainable levels, the continued economic slowdown during the review period has seen several participants exit the market and sellers' pricing expectations return to more realistic levels.

It is said that necessity breeds innovation and we have been able to conclude a number of uniquely structured transactions during the course of the review period that not only allowed us to further diversify and de-risk the portfolio, but were highly yield accretive as well.

The beachhead of the portfolio is the quality of our tenants and the lease income stream that is largely US Dollar or Euro denominated. The stable performance of our assets – despite some of the most challenging economic times in certain countries of operation – the continued support of our shareholders and corporate activity during the financial year enabled us to deliver in line with our market guidance.

Corporate activity

During the review period, we were engaged in final negotiations to the aggregate amount of US$210.8 million of yield accretive transactions. Of this, we took transfer of Mall de Tete (US$24.22 million), Cosmopolitan Mall (US$37.17 million for 50% ownership) and Tamassa Resort (US$43.3 million).

The Tamassa transaction pioneered a unique collaboration between Grit and Lux Resorts, which was soon extended to New Mauritius Hotels Limited (NMH), owner of the Beachcomber brand of holiday resorts.

Post the reporting period, in August 2017, Grit took transfer of the light industrial warehouse facility in Nairobi, Kenya tenanted by Imperial Health Services under a long lease.

Despite growth challenges elsewhere on the continent, the Indian Ocean hospitality sector has been increasingly performing strongly. This is mainly attributable to the liberalisation of the international air market, or "open sky policy" which has led to several new air routes being established. For Mauritius, this has resulted in an influx from non-traditional leisure markets such as China, Dubai and India.

Perceived security risks in competing markets closer to Europe has also had a bearing on growth in tourism from established markets.

This additional demand has moved government to lift its moratorium on the building of new hotels in the aftermath of the Global Financial Crisis and the sale-and-leaseback transactions entered into with Lux and NMH provided an eloquent way for the resort owners to unlock value and enabled Grit to diversify its portfolio without taking on any direct hospitality risk.

The transactions were concluded on a triple net sale-and-leaseback basis, meaning that the resort operator is contractually responsible for the maintenance, insurance and rates & taxes on the asset. Per the leases, approximately 4% of hotel turnover has to be invested back into a pre-determined maintenance schedule.

Rebrand to Grit

The Chairman provided an overview of the rebranding rationale in his statement. The backdrop against which the rebrand took place represents the most critical juncture in the Company's short history when we raised US$121.21 million from investors to execute on our pipeline and nearly double the portfolio in size.

The capital raise further provides headroom for growth, allowing us to approach the market less often for capital and raise larger quantums when we do.

The capital raise served as a launchpad to a new growth trajectory and we needed a brand that would carry us into the future. Considering the evolution of Delta International to Delta Africa and then Mara Delta, our mandate from investors was clear: Change the brand, but futureproof it!

As a result, the executive team embarked on an extensive process with some of the best strategic brand specialists in South Africa to peel back the layers of this Company; to understand what drives it. "Grit" ultimately not only reflects our current reality, but our future ambition as well. Our manifesto in the front of this report provides some insights into how we position ourselves now and in future.

This journey of discovery was as much personal as it was one to define the DNA of our organisation. My personal perspective on driving a business and creating value changed profoundly during the process, as did those of some colleagues and staff.

I realised that what started as an ambitious concept on paper has over the past three years grown exponentially and more importantly has delivered against targets, driven by sheer tenacity, collaboration and grit. We have challenged beliefs and trailblased Africa real estate – our brand reflects these endeavours.

Capital raise

In the lead-up to our capital raise, we commissioned independent analyst, Ingham Analytics to conduct a thorough review on the Company and to provide a forecast model on future performance.

This report provides a fair view on the Company and its growth prospects, and is available at: http://grit.group/wp-content/uploads/2017/07/mara-delta-investment-merits-report-ingham-analytics-17-march-2017-final.pdf

During the year under review, Grit embarked on one of the largest capital raises for Africa real estate outside of South Africa in recent years. Against the muted economic backdrop elaborated on in the Chairman's report, this was no easy feat. The capital raise was well supported by current shareholders and also allowed us to introduce new, strategic shareholders to the Group. Grit successfully raised a total of US$121.2 million at an issue price of US$1.40 per share, representing a premium to the 30-day weighted average share price (on low volumes) and a 12% discount to net asset value.

For the year, Grit raised a total of US$156 million, compared to an aggregate US$44.8 million in fresh capital raised in the prior reporting year. The recent capital raise represents a significant milestone in Grit's growth path, as it allows considerable headroom for growth. Management is therefore convinced that future capital raises will be far less frequent, but larger in nature, especially as the Company has grown to a size that meets sovereign wealth funds' investment criteria.

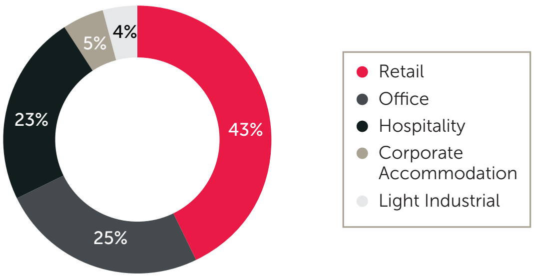
REPORT FROM THE CEO continued

Operational performance

Overview

Following the acquisitions during the year under review, including assets transferred post year end, Grit's portfolio comprises:

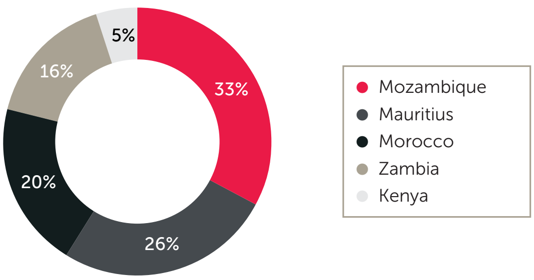
PORTFOLIO BY ASSET CLASS
(GAV)



Our foray into the hospitality sector described above has further de-risked the portfolio from an asset class and geographical exposure point of view, bringing us closer to the self-imposed soft limit target of 25% maximum exposure to a single country.

33% of the portfolio is now located in Mozambique (down from 45% in the comparative period) and exposure to Morocco reduced from 34% previously to 20%. Our exposure in Zambia increased from 14% in the prior year to 16%, as did Kenya from 2% to 5%. Mauritius' exposure grew from 5% in the prior financial year to 26% currently.

REGIONAL DIVERSIFICATION
(GAV)



Vacancies across the assets remain negligible, except for the strategic vacancies at Anfa Place Shopping Center because of the refurbishment, accountable for the lion's share of the 3% portfolio vacancy rate.

Given the increased portfolio diversification and asset classes acquired, a shift in the weighted average rental per square metre was reported, down from an average US$23.2 in the 2016 financial year to US$19.3.

Currently lease terms remain long at 7.8 years on a weighted average basis, with the weighted average rental escalation on the back of an evolving portfolio decreased from 3.65% to 3.47% in US Dollar or Euros.

The property loan-to-value reduced significantly from 48.85% in the prior financial year to 41.6% for the year under review. Following the transfer of the BHI, Imperial and the VDE Compound and the resultant debt being paid out and cash utilised to make the final payments, loan-to-value will normalise at c48%.

Transfer of assets

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

When the acquisition of a minority stake in a development company as well as Anadarko Phase II in Mozambique is included, the gross asset value of the portfolio increases to US$600 million.

On a gross lettable area basis, the portfolio expanded from 122 574m² to 205 705m² gross lettable area.

Asset transfer timeline

Assets totalling US$106.5 million transferred during the year under review.

Transfer in FY17	Asset	Country	Acquisition value (US$)
1 March 2017	Mall de Tete	Mozambique	24.22 million
30 March 2017	Tamassa Resort	Mauritius	43.34 million
30 June 2017	Cosmopolitan Mall	Mozambique	37.17 million (50% ownership)

Summary of operational jurisdictions

Mauritius

Political environment

Mauritius is a stable, multiparty parliamentary democracy, and shifting coalitions are a feature of politics in the country.

The 86-year-old Sir Anerood Jugnauth has held the function of prime minister for more than 16 years (spanning multiple non-consecutive terms) since his first appointment in 1982. He has announced recently that he will resign from office before the next general election, which is due in late 2019 or early 2020. Under the constitution, the leader of the party commanding a majority in the National Assembly becomes prime minister if the incumbent steps down. Currently this is Sir Anerood's son, Pravind Jugnauth, who is the finance minister and heads the Mouvement Socialiste Militant (MSM), which holds 33 out of 69 seats in parliament and leads the three-party ruling coalition, Alliance Lepep. The constitution also allows for the National Assembly to be dissolved, leading to a snap election in the event that the president cannot find someone that commands a parliamentary majority.

Economic growth

Mauritius' economic growth is projected to increase modestly to 3.8% in 2016, driven mainly by a recovery in investment activity. Much depends, however, on the extent to which public investment picks up in accordance with the 1.2% of gross domestic product (GDP) lift in public capital expenditures targeted in the FY2016/17 budget.

The country's current account deficit is expected to remain smaller than in recent years, as is consistent with some persistent slack in Mauritius' economy, coupled with strong tourism earnings and favourable global energy prices. A more pronounced pick-up in investment would stimulate import demand, but significant foreign investor participation in projects should help supply foreign currency financing in this case. Inflation is projected to remain contained at about 3% in 2016 in the absence of imported price shocks.

Moderate economic growth is expected to cut poverty, but challenges associated with ongoing structural transformation will continue to pressure inequality higher. The international poverty rate based on the $3.1 a day poverty line (in PPP 2011) is projected to fall by 1.3%age points between 2012 and 2018. Unemployment is expected to remain at around 8%.

Growth and transformation drivers

Resolving gender disparities will be critical to improving the functioning of the labour market, and hence inclusive economic growth, as the gender wage gap is stubbornly large and the female participation rate is strikingly low (both roughly 50%). Beyond the labour market, a wider reform effort could drive stronger growth and alleviate fiscal constraints. In the fiscal sector, public spending efficiency could be enhanced by reducing subsidies and improving the targeting of social assistance programs. Improvements in the quality of public services and a renewed regulatory reform effort would lower business costs and consolidate Mauritius' reputation as a leader in this area, and support its strategy of being a regional trade and services hub.

Portfolio overview

During the review period, Grit took transfer of the Lux Tamassa resort, followed by the Beachcomber hotels on 11 August 2017.

The acquisitions allowed Grit to expand its portfolio into a new asset class, earning Euro income, without taking direct hospitality risk. Covenants against the operating entity also shields Grit from operating risk at resort level.

The commercial office space in Ebène is tenanted by Barclays under a long lease. Negotiations to consolidate the bank's call center operations from India into the building is ongoing.

Source: www.worldbank.org/en/country/mauritius/overview

REPORT FROM THE CEO continued

Morocco

Political environment

After over six months of political stalemate following the October legislative elections, the new government coalition led by the Justice and Development Party (PJD) has been officially appointed on 5 April 2017. This comes after His Majesty the King, Mohammed VI decided to appoint Saadeddine El Othmani, in replacement of the former Head of government, Abdelilah Benkirane, to lead the negotiations and form a new government.

A broad coalition formed by six parties composes the new alliance, including the left-wing Party of Progress and Socialism (PPS), the liberal National Rally of independents (NRI) and the conservative Popular Movement (PM) – all three were part of the previous coalition – as well as the liberal Constitutional Union (CU) and the left-wing Socialist Union of Popular Forces (SUPF). The new coalition has a comfortable majority equating to a total of 240 seats from the 395 in the House of Representatives.

Economic growth

The vagaries of the weather continue to drive Morocco's economic growth. After a record cereal production in 2015, Morocco was affected by a severe drought in 2016. Agriculture production, which still represents almost 15% of Morocco's GDP, contracted by around 10% and dragged the overall GDP growth down to 1.1% in 2016. Despite large public investment efforts in recent years, non-agricultural growth remained sluggish around 3%. With an exchange rate pegged to a basket of euro and US Dollar, inflation remained below 2%. While the unemployment rate slightly decreased to 9.4%, it masked a protracted decline in the labour force participation, which is now well below 50%. The government estimates that extreme poverty has been eradicated and the poverty rate (at the national poverty line) was halved to 4.8% in 2014.

With good rainfalls since the fall of 2016, GDP growth is projected to bounce back to 3.8% in 2017. The cereal crop is expected above its historical average and agricultural GDP to grow by close to 10%. Non-agricultural GDP is also projected to rise slightly above its recent trend due to the agriculture spill-over effect and the rising confidence of both consumers and producers. However, these positive developments are unlikely to translate immediately into major improvements in labour market outcomes.

Growth and transformation drivers

The new government should announce a new program to pursue the macro-economic and constitutional reforms, upgrade social services and promote job creation. On local governance, the country has engaged in a broad regionalisation agenda that will be further implemented by the new government to focus on local development constraints and turn regions into growth drivers.

The pursuit of prudent macro-economic policies has helped reduce external and fiscal imbalances in recent years. The completion of the subsidy reforms initiated in 2014 coupled with a solid fiscal management and financial oversight contributed to further reducing the fiscal deficit to an estimated 3.9% of GDP in 2016 and to stabilising the public debt at around 66% of GDP.

Improvements in the government investment-saving balance and the fall in international oil prices led to a significant reduction in the external current account in recent years; which was only reversed in 2016 as a result of the effects of an accommodative monetary policy and a recovery in investment lending to the private sector. The healthy export growth of Morocco's new industries, especially in the automobile and aeronautic global value chains, could not compensate for the fall in the international prices of phosphate, a traditional sector that still represents close to 18% of total exports. Furthermore, the import content of the new value chains remains large in the absence of a larger pool of competitive local suppliers. Tourism and remittances revenues have rebounded in 2016 to represent together a solid 12.5% of GDP, offsetting lower-than-expected official grants from GCC countries. With continued sizeable FDI inflows, Morocco's foreign exchange reserves strengthened further to reach 6.4 months of imports of goods and services at end-2016.

The ongoing delays in forming the new government following the October 2016 legislative elections are slowing the reform momentum. A draft 2017 budget law that contemplates a further reduction in the fiscal deficit to 3% of GDP is nevertheless being implemented. The projected increase in international oil prices will contribute to deteriorating the current account, but the external financing requirements will remain a moderate concern given Morocco's relatively low external debt and access to international markets. Furthermore, the second two-year PLL arrangement from the IMF will continue to serve as insurance against external risks.

In 2015 Morocco passed legislation allowing for the creation of real estate investment trusts (REITs) and in early 2016 the government restructured Vecteur LV (VLV), a subsidiary of Moroccan retail distributor Label Vie Group, into the country's inaugural REIT, with the aim of attracting greater investment in Morocco's real estate sector.

Real estate has traditionally been an attractive asset class in Morocco, particularly in recent years, accounting for some of the largest foreign direct investment (FDI) inflows.

Portfolio overview

The planning of the refurbishment at Anfa Place Shopping Center is well underway. Some of the capital expenditure earmarked for the refurbishment is defensive in nature, with the balance being yield accretive.

Post-refurbishment, it is anticipated that vacancy levels will drop significantly to 2% of GLA, with new leases signed with LC Waikiki and Marwa.

Following extensive market research, the repositioning of the mall is expected to attract a cross section of shoppers whilst the extended catering and entertainment offering will not only increase footfall throughout the week, but extend dwell time and spend per basket as well.

Source: www.worldbank.org/en/country/morocco/overview

Mozambique

Political environment

Talks are under way to bring about a definitive ceasefire between ruling party Frelimo and former rebel group turned-opposition-party, Renamo. A low-level insurgency broke out soon after the announcement of the last presidential elections results, which according to Renamo, were fraudulent. President Felipe Nyusi and Renamo leader Afonso Dhlakama are reported to be in constant communication since December 2016, resulting in a truce that has since been extended until May of this year. The sides have agreed to establish working groups on the key issues of decentralisation and military affairs, and came up with concrete recommendations that could pave the way for a definitive ceasefire.

Looking ahead, the Frelimo party is set to hold its congress in September of this year. Upcoming municipal elections scheduled for 2018 will represent a major test for the party popularity in times of profound social and economic hardships. Despite these challenges, President Nyusi is likely to win support for his bid for an additional term in office in the presidential election in 2019.

Economic growth

There has been a rapid deterioration of the economy following the revelation of previous undisclosed borrowing. Mozambique's Gross Domestic Product (GDP) dropped to 3.3% in 2016, down from 6.6% in 2015. The World Bank's growth forecast for 2017 has been revised downwards from 5.2% to 4.8% to factor in the effects of likely fuel shortages and the continued effects of restrictive monetary policy. Official figures highlight a substantial slowdown in growth for most sectors, including negative growth in hotel and restaurant services and utilities. Foreign direct investment declined by 20%, indicating a decline in confidence in the economy.

Tight monetary policy and high prices also contributed to growth deceleration. The fiscal deficit has fallen from 6.4% of GDP in 2015 to 4.7% in 2016 on a cash basis, but this masks the accumulation of significant arrears to private creditors and fuel suppliers.

There are signs that external pressures are easing. Inflation, driven by exchange rate variations, has started to decelerate. Central bank reserve levels increased in the three months to end-January 2017 with effects of policy measures introduced in the last quarter of 2016 materialising.

Recent developments, including the $2.8 billion ENI/Exxon deal, indicate progress with the Rovuma basin gas megaprojects and bring the final investment decision for multi-billion Dollar investments closer. Existing megaprojects have shown resilience, and may find additional support in the near-term from an improving outlook for key commodity prices.

Growth and transformation drivers

Mozambique's rapid economic expansion over the past decades has had only a moderate impact on poverty reduction, and the geographical distribution of poverty remains largely unchanged. Mozambique also needs to improve its social indicators. The 2015 Human Development Index put Mozambique at the bottom of the ranking (180th out of 188 countries and territories). The adult literacy rate is 56%, and average life expectancy at birth is 50.3 years. Mozambique faces other challenges such as increasing malnutrition and stunting. Malaria remains the most common cause of death, responsible for 35% of child mortality and 29% for the general population. HIV prevalence among adults shows a downward trend, stabilising at a relatively high rate of 11.5%. The social progress index for access to improved sources of water and sanitation ranks Mozambique 128th and 119th, respectively, out of 135 countries. Indeed, Mozambique has one of the lowest levels of water consumption in the world despite being endowed with a variety of water sources. As a response to such challenges, the Mozambican authorities have considered the social sectors as top priorities and funding has been increasing for those sectors in general.

REPORT FROM THE CEO continued

Since 1984, the World Bank Group (WBG) has been providing development assistance to Mozambique in accordance with the country's needs and priorities, from economic stabilisation in the 1980s, to post-war reconstruction in the early 1990s, to a comprehensive support strategy in the late 1990s. The current strategy, renamed Country Partnership Framework (2017–2020), involved close collaboration with the government, development partners, civil society and private sector, and is due for release in the second quarter of 2017.

World Bank Group Engagement in Mozambique

As of March 2017, Mozambique's International Development Association (IDA) portfolio consists of 20 IDA-funded projects with a net commitment of about $1.68 billion. Mozambique also benefits from 24 additional operations in the form of Recipient Executed Trust Fund (RETFs). The RETFs represent a total commitment of $173.85 million. In addition, the country is benefiting from financing of nine regional projects in a total amount of $233.3 million allocated to Mozambique, in the areas of agriculture, education, environment and natural resources, health, nutrition and population, and transport and information and communication technology (ICT). The portfolio covers the great majority of sectors with water receiving the highest share in terms of commitments, followed by transport and ICT, education and social, urban, rural and resilience. The above is complemented and informed by analytical work and technical assistance prepared in collaboration with the government of Mozambique, development partners, and other stakeholders, and are widely disseminated once completed.

Bank activities are complemented by those of the International Finance Corporation (IFC). IFC's approach is to focus on strategic industries, namely, agribusiness, forestry, mining, energy, industry and financial services and its interventions seek to address cross-cutting issues of:

- supporting the mobilisation of both local and foreign direct investment to key sectors of the economy;
- strengthening private sector access to finance;
- supporting the development of infrastructure;
- improving the investment climate; and
- strengthening small and medium enterprises (SME) management capacity building.

The Multilateral Investment Guarantee Agency (MIGA), another of the WBG institutions active in Mozambique, has three investments under its guarantees in Mozambique.

Portfolio overview

Economic headwinds and political uncertainty in Mozambique proved an acid test for our strategy that focuses on counterparty strength and property fundamentals as strong mitigants of country risk.

I am therefore very happy to report that despite these challenges, no defaults or bad debts have been recorded and vacancies have remained at zero%.

Grit has simultaneously been able to service its existing debt by successfully repatriating funds totalling US$38 million to service the facility and attracted new debt in the form of a Bank of China facility of US$13.3 million at a rate of six-month US$ LIBOR +5.1%.

Tenants were retained, with Barclays and Hollard renewing their leases before expiry on the same or slightly more favourable terms than previously. During the reporting period, Sonae, a global Portuguese retailer and an anchor tenant in Zimpeto Square, opted to convert their local currency lease (equivalent to US$16.63/m^2 payable in MZN) to a US$ lease at US Dollar 16.00/m^2.

Source: www.worldbank.org/en/country/mozambique/overview

Zambia

Political environment

Zambia's Patriotic Front (PF) government and President Edgar Chagwa Lungu were re-elected in a closely contested presidential race in August 2016. The election gave Lungu a full five year mandate up to 2021, which enables the president and his cabinet to create their own development agenda for Zambia.

Lungu presented his State of the Nation Address in March 2017. In it, he called for national transformation so that the country's high levels of poverty and inequality are addressed. The speech largely emphasised the restoration of national values and humanity over moral decay, corruption, and a lack of accountability, calling on every public servant to sign a code of ethics.

Zambia will soon revise its Lands Act policy to ensure its land is protected for future generations. The revised Land Act is also expected to avoid the indiscriminate and illegal sale of land in the country. The need to revise the act was initiated by the president, who observed that the government needed to come up with revisions that guarantee sovereignty over land, a key natural heritage.

Economic growth

Zambia's economy came under strain in 2015 and 2016 as external headwinds and domestic pressure intensified. Gross domestic product (GDP) grew at 2.8% in 2015 and 3.3% in 2016, much slower than the average 7.4% between 2004 and 2014. The external headwinds included slower regional and global growth and lower global copper prices. Domestic pressures included power outages that intensified from mid-2015 to the end of 2016, impacting all sectors of the economy.

As well as this, repeat fiscal deficits have weighed on investor confidence, and low and poorly-timed rains led to reduced agricultural income for the poorest Zambians and increased food prices in 2015. Economic conditions have improved slightly since the turn of 2017, and the World Bank projects an improved growth rate of 4% in 2017. This follows high rainfall in the 2016/17 agricultural season that has improved agricultural output and quickened the replenishment of hydro-electric reservoirs.

A Systematic Country Diagnostic (SCD) for Zambia is currently being prepared and will help the Bank's understanding of the mechanics needed for poverty reduction and shared prosperity for the country. It will also inform the Bank's Country Partnership Framework (CPF) being developed for 2017–2021.

Growth and transformation drivers

Meanwhile, the Government of Zambia has approved its 7th National Development Plan 2017–2021 and promised to launch it by mid-2017. The plan, "Accelerating Development Efforts Towards Vision 2030 Without Leaving Anyone Behind", calls for a fundamental shift in the way resources are being allocated, taking into account global and regional trends. It has five pillars:

- Economic Diversification and Job Creation
- Poverty and Vulnerability
- Reduced Developmental Inequalities
- Enhancing Human Development
- Conducive Governance Environment for Economic Diversification

The strategic goal of the 7th National Development Plan is to create a diversified and resilient economy for sustained growth and social economic development. It will also include a result-oriented performance management system to be used to measure progress of its implementation.

Portfolio overview

Trade at Grit's super convenience centers located in Kitwe and Ndola tracked against expectations, supported by continued strong demand for basic consumer goods and services.

Cosmopolitan Mall traded in line with expectations, with little or no arrears and/or vacancies.

Source: www.worldbank.org/en/country/zambia/overview

Kenya

Political environment

Kenya has made significant structural and economic reforms that have contributed to sustained economic growth in the past decade. Development challenges include poverty, inequality, climate change, and vulnerability of the economy to internal and external shocks.

At the time of writing, history was made on 1 September 2017 as Kenya became the first country in Africa to nullify a presidential election after the Supreme Court nullified the August 8 presidential elections which declared the incumbent Uhuru Kenyatta winner.

The Supreme Court found that independent Electoral and Boundaries Commission (IEBC) breached the constitution in the transmission of the election results and therefore ruled the results invalid.

The court has called for a rerun of the presidential elections within 60 days as stated in the constitution.

Economic growth

The World Bank's most recent Kenya Economic Update (KEU) October 2016 projected a 5.9% growth in 2016, rising to 6% in 2017. The key drivers for this growth include: a vibrant services sector, enhanced construction, currency stability, low inflation, low fuel prices, a growing middle-class and rising incomes, a surge in remittances, and increased public investment in energy and transportation.

According to the latest Kenya National Bureau of Statistics (KNBS) quarterly report, Kenya's economy expanded by 5.7% in the third quarter of 2016 compared to 5.8% in the same period in 2015. The quarterly report says that the economic growth was well spread, although most of the sectors of the economy recorded slowed growth. The tourism and hotel, information and communications, and public administration industries are among the sectors that registered improved growth during the quarter. Inflation was contained within the Central Bank's target to average at 6.3% compared to an average of 6.14% during the same quarter in 2015. The slight increase in inflation was primarily due to increases in the prices of food and beverages during the period under review.

REPORT FROM THE CEO continued

According to the Kenya National Bureau of Statistics (KNBS) report, the amendment of the Banking Act in August 2016 to cap the lending rates to a maximum of 4% above the Central Bank Rate (CBR) resulted in a substantial decline in the interest rates during the month of September to 13.84% from 16.75% in the same month of 2015.

Growth and transformation drivers

Kenya has met a few of the Millennium Development Goals (MDGs) targets, including reduced child mortality, near universal primary school enrolment, and narrower gender gaps in education. Interventions and increased spending on health and education are paying dividends. While the healthcare system has faced challenges recently, devolved health care and free maternal health care at all public health facilities will improve health care outcomes and develop a more equitable health care system.

Kenya has the potential to be one of Africa's great success stories from its growing youthful population, a dynamic private sector, a new constitution, and its pivotal role in East Africa. Addressing challenges of poverty, inequality, governance, climate change, low investment and low firm productivity to achieve rapid, sustained growth rates that will transform lives of ordinary citizens, will be a major goal for Kenya.

Portfolio overview

Grit's portfolio in Kenya comprised a 50% ownership in Buffalo Mall in Naivasha. Trading has been in line with expectations with tenant optimisation, including investment by Tuskys into expanding their in-store offering gaining traction.

Post the reporting period, Grit took transfer of the warehouse facility housing Imperial Health Sciences' distribution hub for East Africa. The sale-and-leaseback transaction is on a triple-net basis over a 10-year period and development of an adjacent warehouse to be tenanted by Imperial Health Sciences is expected to commence soon.

As with its recent acquisitions in Mauritius, the lease contract has a covenant against the JSE-listed entity in case of default by the operating entity, providing a further layer of risk assurance.

Going forward, Grit will capitalise on the strong growth that the logistics and warehousing sector is experiencing in Kenya with similarly structured transactions.

Source: www.worldbank.org/en/country/kenya/overview

Quality of income

Since listing, our mantra has been one of counter party risk, as opposed to country risk. Over time, the resilience and tenure of our leases have proven this to be correct and we will continue refining our dogmatic investment criteria based on the following principles as we grow the portfolio into new territories and asset classes:

- ability to conclude leases in hard currency;
- ability to repatriate funds;
- ability to mitigate/insure against political and currency risk;
- land tenure; and
- ability to raise in-country debt.

Our most recent transactions with Lux Resorts, New Mauritius Hotels Limited include covenants against the listed parent company, in case of default for whatever reason by the operating entity. This, combined with extensive political risk insurance, provides additional layers of protection against repatriation risk.

The matrix used by our Investment Committee when assessing potential transactions is based on the following guidelines:

Sector	Tenant	Vacancy (GLA)	WALE (main tenant)	Lease Currency
Office	Blue-chip or multinational head lease	Max. 5%	Min. 5 years	Hard currency*
Retail	Min. 70% A-grade tenants/ nationals/ anchors	Max. 10%	Min. 5 years	Min. 70% hard currency*#
Light industrial/ warehousing	Blue-chip or multinational head lease	Max. 5%	Min. 5 years	Hard currency*
Corporate accommodation	Blue-chip or multinational head lease	Max. 0%	Min. 5 years	Hard currency*
Hospitality	Blue-chip or multinational head lease	Max. 0%	Min. 5 years	Hard currency*
Schools	Blue-chip head lease	Max. 0%	Min. 5 years	Hard currency*
Hospitals	Blue-chip head lease	Max. 0%	Min. 5 years	Hard currency*

** Or where the ability to hedge local currency can be done at minimal cost.*

 # Grit will minimise exposure to local trading currencies and mitigate the risk by only investing in centers with high trading densities and where USD income is prevalent, e.g. expat communities.

In addition to its focus on counterparty risk, Grit applies considerable time and effort in mitigating risk through its portfolio construct and diversification strategies. We consider the following areas to be critical:

Multi-jurisdictional

- As referred to by the Chairman, Grit has a self-imposed soft concentration limit of 25% per operational jurisdiction, to ringfence the Company's exposure to unforeseen events, be it economic, political or natural.

Asset class diversification

- The real estate market on the continent is not yet deep enough to allow for sector specialisation. Since our mitigation strategy is predominantly focused on counterparty strength and lease tenure (apart from macro-economic qualifications), Grit will consider expansion into any asset class provided that risk can be mitigated (as per the sale-and-leaseback transaction with the leisure groups where Grit assumes no direct hospitality risk).

Counterparties

- Grit's business model is based on counterparty strength. This allows the Company to transact in hard currency, secure long-term leases and, in some instances, defer in-country operational risk to the listed parent company.
- For the above reasons Grit positions itself as a strategic partner to key clients and regularly meet with international operational planning teams on their corporate real estate needs and expansion strategies.

Diversification through co-investors

- The ability to leverage on-the-ground expertise remains key to sustainability and growth in our operating markets. Valuable lessons have been learnt since our first acquisitions in 2014 and we have built a track record of retaining the vendor as either the asset manager/operator and/or co-investor in some of our key assets, providing shared risk and also a shared vision.

Low vacancy rates and long average loan terms

- Our investment gateways prescribe a minimum remaining lease term without which we won't consider an acquisition. This, together with the quality of the tenant not only provides see-through and comfort around income streams but has a direct impact on the cost of debt that can be spread over a longer-term.
- 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.

Focus on governance

- Dealing with bureaucratic apathy can be exceptionally frustrating, regardless of territory and the temptation to facilitate a more expedient resolution either through incentives or through non-compliance are ever present.
- Grit has a zero-tolerance policy towards bribery and non-compliance, with external verification to ensure all transactions comply with the relevant country's laws and regulations. Compliance with these regulations were one of the reasons the Group has been able to repatriate hard currency from Mozambique during the reporting period.

REPORT FROM THE CEO continued

Sustainability

Grit measures its performance not only in the form of shareholder returns, but is cognisant of its responsibility towards all stakeholders as encapsulated in the six capitals of value adopted by the International Reporting Council.

We furthermore recognise that implementing sustainability measures and reporting structures is a progressive approach where each year builds on the last.

Towards this end, we have defined the capitals that comprise our value chain as well as our impact and objectives as follows:

Capital	Definition	Impact	Objective
Financial	Our ability to create a consistent yield and total return growth	Offering an attractive alternative investment option to investors; create employment	US$ yield of 8% per annum and total return of 12%
Manufactured	Our buildings tenanted by blue-chip institutions	Generation of high-quality and consistent income streams	Ability to achieve US Dollar distributions and mitigate against country risk
Human	Our people	Attract and retain the skills required to grow the business	Provide a career path where staff can grow and add value to the business
Social and relationship	Our relationship with the communities where we operate and business partners	Collaborative initiatives with business partners and communities lead to win-win situations and growth	Enhance the growth and sustainability of the Group through collaborative initiatives and re-investment
Natural	The environment in which we operate	Greenhouse gasses, waste, water resources	Sustained focus on reducing Grit's carbon footprint through the use of greener energy and waste and water recycling where possible
Intellectual	Our approach to dealmaking and structuring, supported by our new brand	Ability to conclude yield-enhancing transactions; building a reputation in the market	Consistent growth in distributions, growth opportunities for staff; attracting deals and staff

Outlook

We operate in markets where there are pension funds and assets on the ground. That could mean working more closely with the Ghanaian, Rwandan or Botswanan pension funds and working with the regulators. We are already engaging with the Rwandan regulators around REIT legislation there.

Grit continues to pioneer direct property investment on the continent. As we mature, our efforts are steadily gaining traction, which is increasingly being recognised by international funders and investors, providing further access to international debt and capital markets.

Thanks

This year marks a significant juncture in Grit's relatively short history. It has been tough, but exceptionally rewarding to look back on what we have achieved.

For this I wish to thank our shareholders for their unwavering support and encouragement. I also wish to thank our board for their guidance through sometimes unchartered waters.

On a personal note, I want to thank Sandile as well as my executive team for always believing and driving hard to achieve our objectives – it took some true grit and determination!

Thank you to each and every staff member for your contribution and commitment. We have succeeded because of our people. We believe in the collective impact of the team and the ambition of the individual, and our team is driven by passion, determination, and resolve.

Bronwyn Corbett
Chief Executive Officer

20 September 2017

REPORT FROM THE CFO

Leon van de Moortele
CHIEF FINANCIAL OFFICER

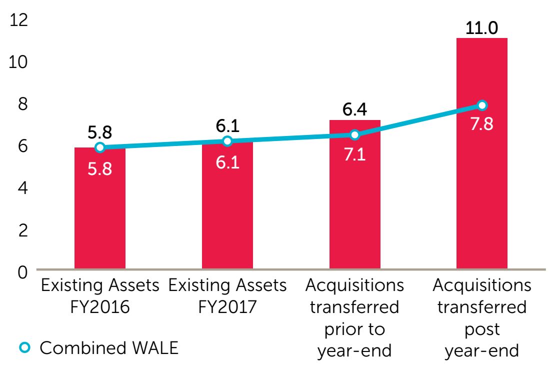
The 2017 financial results have shown a solid return with the resilient property portfolio delivering an increase in distribution of 2.7% on the prior year's result for a total distribution per share of US$12.07 cents for 2017.

Although 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 Mauritian hospitality assets and the continued ability to provide true hard-currency-based income streams have further de-risked the portfolio through diversification.

Combined WALE has increased from 5.8 years to 6.4 years at the reporting date. Following the transfers of the Imperial Warehouse and BHI transactions 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.

ACQUISITIONS EFFECT ON WALE

Years



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

	US$m
BHI Transaction (44.4% of three Beachcomber resorts)	28.7
VDE Compound (final payment)	18.2
Settlement of the equity revolver facilities	17.7
Cosmopolitan Mall (final payment)	15.7
Imperial Warehouse (final payment)	13.1
Anadarko Phase II Construction	6.64
Share Issue Expenses	4.6
Investment in 6.25% of Letlole La Rona Limited	3.8
Investment in Gateway Delta Development (initial investment)	2.0
Total capital deployed	**110.50**

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

The following assets were acquired during the year:

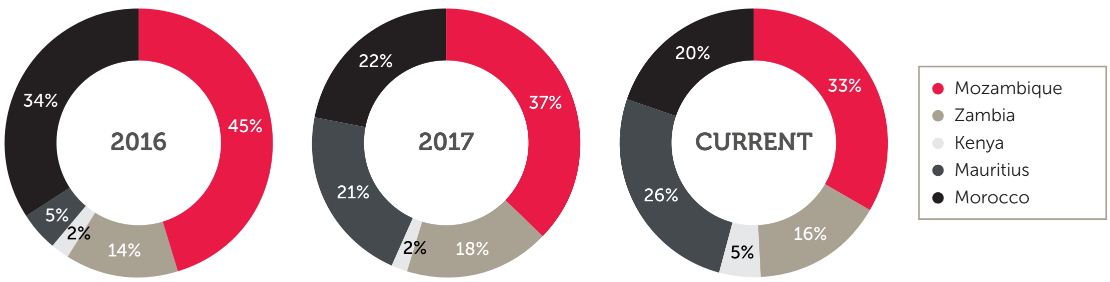
Property investment	Date transferred	Country	Sector	Acquisitions in subsidiaries US$'000	Acquisition in associated company US$'000	Acquisition via convertible loans US$'000	Total US$'000
PROPERTIES TRANSFERRED							
Tamassa Hotel	30 March 2017	Mauritius	Hospitality	43 346	–	–	43 346
Mall de Tete	1 March 2017	Mozambique	Retail	24 220	–	–	24 220
Cosmopolitan Mall	30 June 2017	Zambia	Retail	–	37 168	–	37 168
				67 566	37 168	–	104 734
ASSETS UNDER CONSTRUCTION							
Anadakro Phase II	Construction due to complete November 2017	Mozambique	Office	7 634	–	–	7 634
Anfa Place Shopping Center	Construction due to complete November 2018	Morocco	Retail	5 213	–	–	5 213
				12 846	–	–	12 846
Total carried forward				80 412	37 168		117 580

Report from the CFO continued

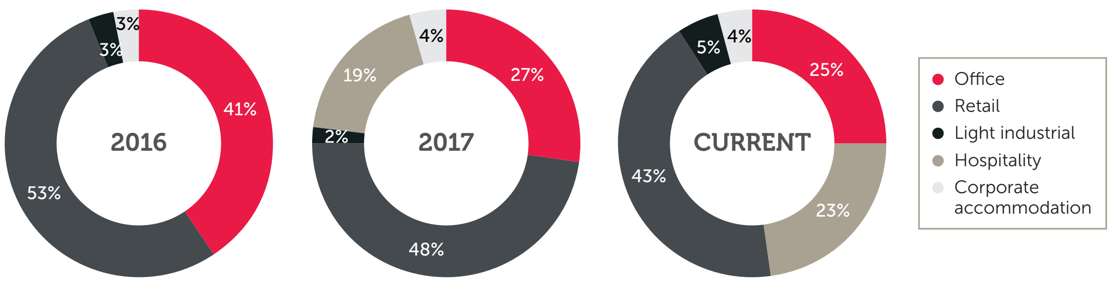
Property investment	Date transferred	Country	Sector	Acquisitions in subsidiaries US$'000	Acquisition in associated company US$'000	Acquisition via convertible loans US$'000	Total US$'000
Total brought forward				80 412	37 168	–	117 580
INVESTMENT UNDER TRANSFER							
44.4% in Beachcomber Hospitality Investments	1 December 2016 (transfer was concluded on 11 August 2017)	Mauritius	Hospitality	–	–	47 409	47 409
Imperial Distribution Center	1 December 2016 (transfer was concluded on 16 August 2017)	Kenya	Light Industrial	3 062	–	–	3 062
VDE Compound	1 October 2015 (transfer expected 30 September 2017)	Mozambique	Corporate accommo-dation	15 191	–	–	15 191
				18 253	–	47 409	65 662
TOTAL INVESTMENTS IN 2017				**98 665**	**37 168**	**47 409**	**183 242**

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

GEOGRAPHICAL SPLIT OF PROPERTY PORTFOLIO (GAV)



SECTORAL SPLIT OF PROPERTY PORTFOLIO (GAV)



Note

Composition of total property investment value	US$'000
Existing assets under Property Investments	312 103
Building under construction under Property Investments	15 280
Interest-bearing deposits on under Property Investments	24 440
Property value included under Investment in Associate	92 651
Property investments under loans receivable	47 409
Property investment under intangible assets (right of use of land)	554
	492 437

Evolution of NAV per share

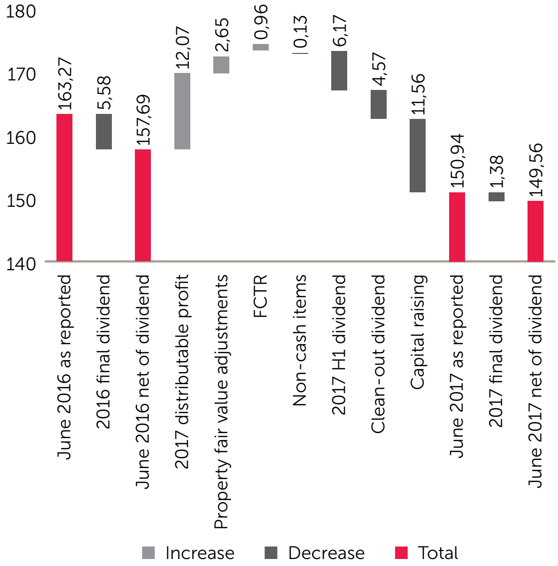
The NAV per share from the previous financial year decreased by 7.6% or US$12.33cps from US$163.27cps to US$150.94cps. This drop in NAV per share was a direct result of the capital raised to grow the portfolio, including the Rights Offer concluded on the 28 June 2017, which accounted for a drop of US$11.56cps. On a like-for-like basis of NAV per share net of distributions for the period before the impact of the Rights Offer, NAV per share increased by 2.2% or US$3.43cps.

Although the net operating income per building is increasing in line with escalations, valuation increases are being hampered by the macro-economic climate, particularly in Mozambique. The positive news from Mozambique and more particularly ENI's capital investment in the floating liquefied natural gas plant, that announced in June 2017, will provide the long awaited impetus for sustainable economic growth in Mozambique, culminating in the monetarisation of the large gas deposits.

The movement of the NAV per share is as follows:

NAV EVOLUTION

US$ cps



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$10.63 million to US$15.13 million.

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 Center (in line with the upgrade to the center) limited the increase in overall revenue. Anfa's reduced rentals impacted Rental income by US$1.0 million against 2016.

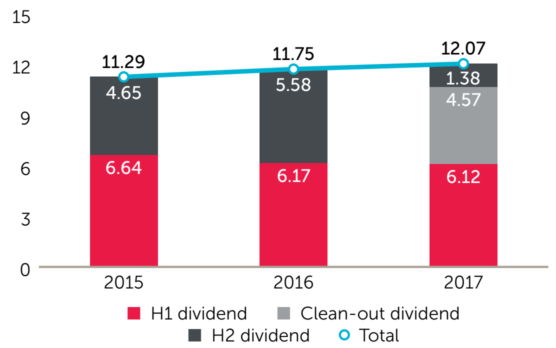
When comparing monthly rental income on a like-for-like basis, monthly rental income increased by 28.2%. On further analysis, existing properties excluding Anfa Place Shopping Center increased by 4.5% while Anfa Place Shopping Center decreased by 9.8%, resulting in total existing property rentals reducing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

Report from the CFO continued

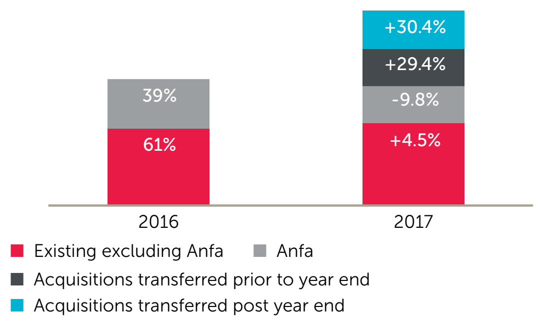
Property operating costs including associates increased by 28%, with the inclusion of Mall de Tete and Tamassa Resort in March 2017 and the full year impact of 2016 acquisitions. A contributing factor to the increase in operating costs was the provision for doubtful debt of US$709k.

As a result of the above, total operating cost percentage (including associated companies) rose by 3% to 27.5%.

DIVIDEND HISTORY
(US$ cps)



AVERAGE MONTHLY RENTALS
(%)



	2017			2016			
	Subsidiaries	Associated companies	Total	Subsidiaries	Associated companies	Total	Movement
Rental	**24 330**	**4 521**	**28 851**	23 012	2 293	25 305	14%
Operating costs	**(7 096)**	**(828)**	**(7 924)**	(5 769)	(421)	(6 190)	28%
Net operating income	**17 233**	**3 693**	**20 926**	17 243	1 873	19 116	9.5%
Opex %	**29.2%**	**18.3%**	**27.5%**	25.1%	18.3%	24.3%	3.0%

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) 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 EUR12.5 million 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 stabilised exchange rate between the US Dollar and the Mozambique Metical in December 2016, realised exchange gains have reduced by 42.7% from the previous year. The Metical versus the US Dollar 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 US Dollar position we have in Mozambique.

The distributable income statement movements for the year is as follows:

	2017 US$ '000	2016 US$ '000	Movement
Rental income	**24 330**	20 878	16.5%
Share in profit from associates (excluding non-cash items)	**5 223**	3 220	62.2%
Operating expenses	**(7 170)**	(5 769)	24.3%
Other income	**3 275**	2 934	11.6%
Admin expenses	**(5 601)**	(3 857)	45.2%
Amortisation of intangible assets	**26**	–	n/a
Interest income	**1 994**	170	1 071.6%
Interest expense	**(10 971)**	(9 698)	13.1%
Realised exchange gains	**1 999**	3 489	(42.7%)
Current tax	**(32)**	(1 494)	(97.8%)
Antecedent dividend	**2 221**	636	249.4%
Profits (retained)/released	**(164)**	121	(235.7%)
	15 129	**10 630**	**42.3%**

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 Limited.

The total debt by financier is now as follows:

Debt per financier	2017 US$ million		2016 US$ million		Movement
Bank of China	**52.2**	**22.0%**	–	0.0%	100%
Investec	**50.7**	**21.4%**	51.7	31.6%	(2%)
Standard Bank South Africa	**48.4**	**20.4%**	60.1	36.7%	(19%)
State Bank of Mauritius	**35.7**	**15.0%**	–	0.0%	100%
AfrAsia Bank	**19.3**	**8.1%**	20.0	12.2%	(3%)
Rockcastle Vendor Loan	**13.0**	**5.5%**	19.0	11.6%	(32%)
Barclays	**7.4**	**3.1%**	7.9	4.8%	(6%)
Nedbank Limited	**5.7**	**2.4%**	–	0.0%	100%
Banco Unico	**3.0**	**1.3%**	2.9	1.8%	5%
Housing Finance Corporation	**2.0**	**0.8%**	2.0	1.2%	–
	237.4	**100.0%**	163.6	100.0%	45%

NOTE: Above figures include loans within associated companies

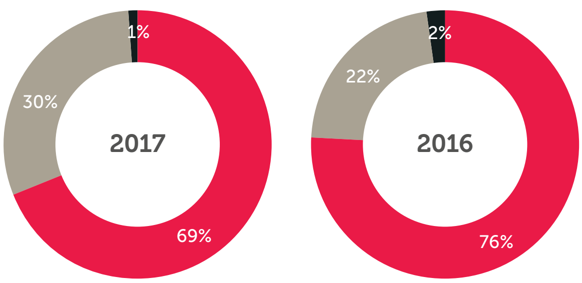
Report from the CFO continued

During the year under review, the Company successfully raised debt totalling US$106.5 million.

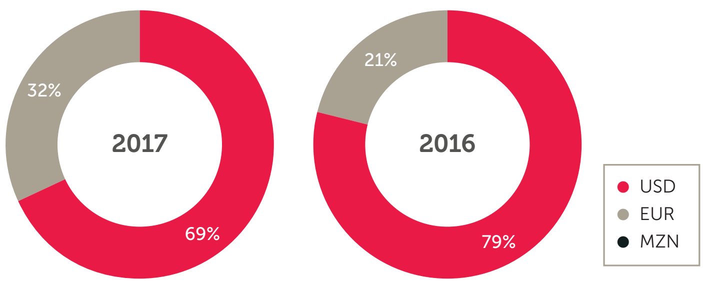
A breakdown of the new debt is as follows:

Financier	Rate	Currency	Term	Related property	Debt raised US$ '000
Bank of China	Six-month LIBOR + 5.1%	US$	5 years	Mall de Tete	13 300
Bank of China	Six-month LIBOR + 4%	US$	5 years	Makuba/Kafubu Mall	38 884
Rockcastle Vendor Loan	5% Fixed	US$	1 month	Cosmo Mall	13 000
Nedbank Limited	Three-month LIBOR + 10.57%	US$	1 year	Andarko Ph II construction	5 600
State Bank of Mauritius	Three-month LIBOR + 3.9%	EUR	1 year	Beachcomber	10 282
State Bank of Mauritius	Fixed 3.75%	EUR	3 years	Tamassa Resort	25 443
					106 508

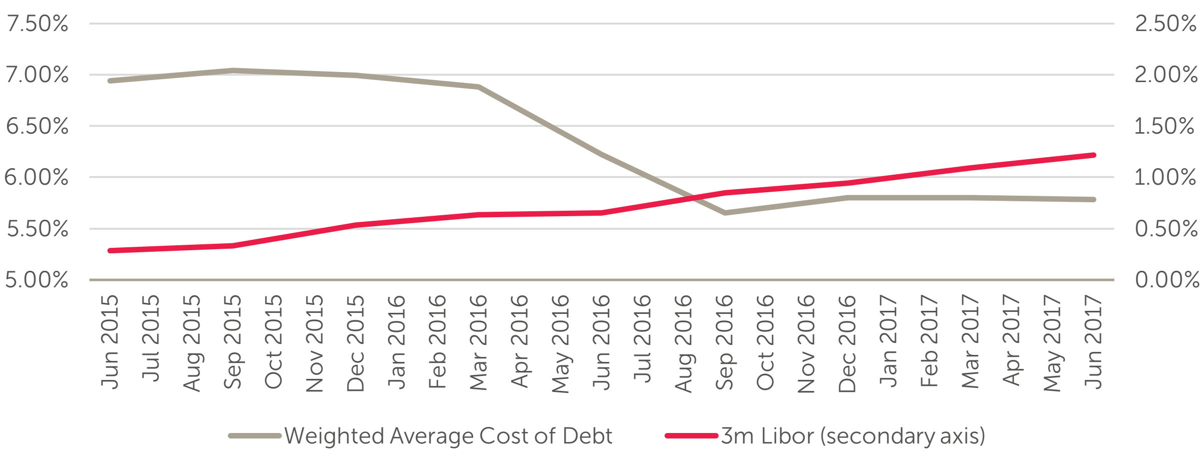
DEBT CURRENCY EXPOSURE 2016 – 2017



INVESTMENT CURRENCY EXPOSURE 2016 – 2017



WACD VS 3M LIBOR

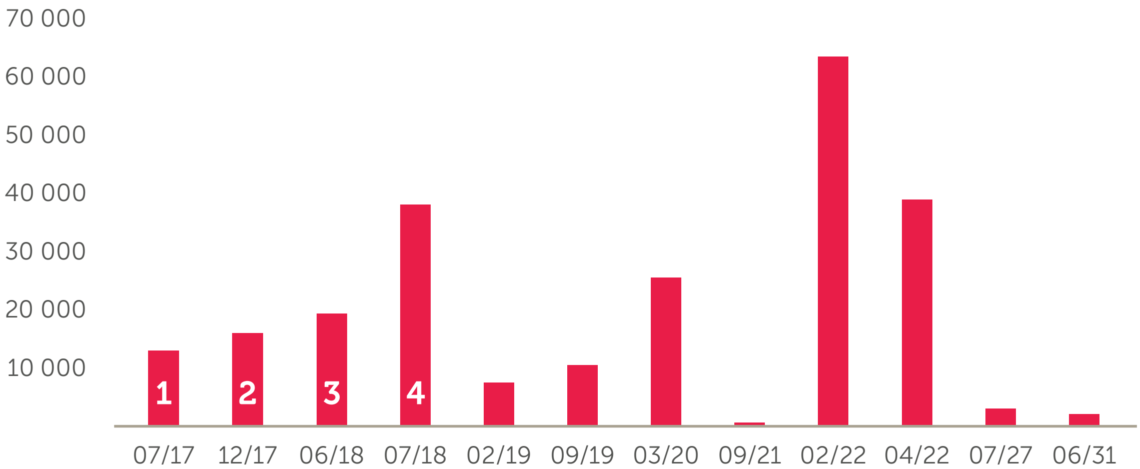


Debt continues to be matched to the underlying cash flows of the assets. The increase in the Euro-based assets has resulted in an increase in the portion of debt transactions concluded in Euros.

With the inclusion of many Euro-based loans over the period, the Company has continued to reduce the weighted average cost of debt, despite the 0.489% increase in the USD three-month LIBOR, with the weighted average cost of debt being reduced from 6.22% in 2016 to 5.78% for 2017.

The debt expiry profile is as follows:

DEBT EXPIRY PROFILE
(US$ '000)



1 Bank of China paid out the facility on **7 July 2017**

2 State Bank of Mauritius has refinanced EUR9 million on a three years facility

US$5.6mil construction bridge will be converted into a term loan following completion of Anadarko PhII in **Nov 2017**

3 Revolver facility

4 Currently under negotiation as part of a refinance transaction over the entire Mozambique Portfolio

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

Appreciation

Grit's continued expansion provides exposure to a number of different property dynamics, tax and accounting policies and local practices. The dynamic and complex environment in which the Company operates can only be managed through the continued dedication of our highly qualified and talented staff as well the support of the board and executives. We look forward to continuing the delivery on our commitment to produce strong growth in results for the benefit of our stakeholders.

Leon Paul van de Moortele
Chief Financial Officer

20 September 2017

tenacity

"To make our way, we must have firm resolve, persistence, tenacity"

– Ralph Bunche

grit

Governance and accountability

MEMBERS OF THE BOARD

1 Sandile Nomvete

BOARD CHAIRMAN

Appointed to the board **14 August 2014**

Listed directorships **3**

Sandile is a graduate of the Property Development Programme from the University of Cape Town Graduate School of Business and holds an executive Development Programme and Finance for non-Financial Managers Diploma from WITS Graduate School of Business.

Sandile co-founded Motseng Investment Holdings which eventually listed as a REIT in 2012 as Delta Property Fund ("Delta SA"). In his position as CEO, Sandile has grown the fund from a portfolio of assets valued at R2.1 billion in 2012, to R11.8 billion as at 28 February 2017.

He has over 15 years of experience in executive positions, with his entrepreneurial and forward-thinking persona propelling him into becoming one of South Africa's leading business executives.

Sandile serves as a non-executive director on KAP Industrial Holdings.

2 Bronwyn Corbett

Executive director

CHIEF EXECUTIVE OFFICER

Appointed to the board **14 August 2014**

Listed directorships **2**

Bronwyn holds a BCompt Degree from the University of South Africa, an Honours Degree in Accounting from the University of Durban and she is a qualified Chartered Accountant.

Bronwyn has over ten years' experience in the real estate investment sector. She worked in an investment real estate business for four years as Financial director before joining Motseng Investment Holdings in April 2009 as the CFO. When Bronwyn joined Motseng they had no direct real estate investment. Bronwyn was the core of the investment team that took the portfolio to R2 billion in three years. Bronwyn and the CEO listed the portfolio on the JSE, as Delta Property Fund and held the position of COO and CIO. She was part of the executive team that grew the portfolio to R12 billion in 4 years and converted the structure to a REIT. In 2014, Bronwyn co-founded Delta International Property Holdings, now rebranded as Grit Real Estate Income Group, and was appointed as CEO. Bronwyn remains a non-executive director on the Delta Property Fund board. Bronwyn has been recognised for her various achievements and has been awarded by the South African Institute of Chartered Accountants as the "Top CA (SA) Under 35". She has also received a special recognition award by Woman in Property. In 2017, Bronwyn has been awarded the winner in the CEO Africa Awards 2017.

3 Leon van de Moortele

Executive director

CHIEF FINANCIAL OFFICER

Appointed to the board **1 July 2015**

Listed directorships **2**

Leon holds a BCompt and BCompt Honours Degree from the University of South Africa and qualified as a Chartered Accountant in 2001. He further qualified as a Certified Information Systems Auditor, although this membership has since lapsed he brings a wealth of IT skills and experience to the Group.

After completing articles with PwC in South Africa, Leon moved to Global Risk Management Services within PwC, where he become the Senior Manager in charge of Data Management division while still managing an audit portfolio of aviation clients for PwC.

In 2004, he moved to Solenta Aviation where he took up the position of Group Finance director within 18 months. During his tenure, he gained valuable experience across the African continent and was a crucial member of the executive team that saw the Group expand operations from a fleet of 12 aircraft to 48 aircraft, operating in eight African countries (including South Africa, Mozambique, Algeria, Ghana, Gabon, Kenya, Tanzania and Cote d'Ivoire). During his 11-year career within the aviation sector, he oversaw the implementation of ERP accounting and reporting systems, mergers and acquisitions, provided effective tax structuring advise for the purchase of aircraft, IFRS implementation and new company start-ups for a number of players in the aviation space across Africa.

tenacity

4 Jacqueline van Niekerk

Non-executive director
Appointed to the board 1 June 2016
Listed directorships 1

Jackie has a BCom Accounting from the University of Pretoria. In May 2017, she joined Attacq as the COO. Jackie has over 14 years of experience in the property industry and prior to joining Attacq, was the CEO of Pivotal. At the end of 2016, Jackie successfully concluded a merger between Pivotal and Redefine Properties. Jackie joined Pivotal Property Fund in 2009 and became the youngest and only woman CEO in the property sector in South Africa at the time, growing the fund to a R12 billion listed development fund. She established Pivotal's offshore strategy by successfully acquiring an equity stake in Echo Property Polska, based in Poland.

5 Peter Todd

LEAD INDEPENDENT DIRECTOR
Appointed to the board 14 August 2014
Listed directorships 3

Peter is a qualified attorney and began his career as the senior tax manager at Arthur Anderson and Associates in Johannesburg. He joined TWS Rubin Ferguson in 1993 as a tax partner and was instrumental in listing six companies on the JSE.

In 2000, Peter established Osiris International Trustees Limited in the British Virgin Islands ("BVI") to provide international trust and corporate administrative services to global clients, as well as Drake Fund Advisors which assists with the setup and administration of hedge funds in the BVI and Cayman Islands.

He held a non-executive director position at Redefine International Limited from the initial listing for some 9 years and has been involved in the property industry for many years.

6 Chandra Gujadhur

Independent Non-executive director
Appointed to the board 11 March 2015
Listed directorships 1

Chandra is the Chairman and co-founder of Apex Fund Services (Mauritius) Limited. He is also a member of the Institute of Chartered of Accountants in England and Wales and an associate member of the Society of Trust and Estate Practitioners, has long standing experience in the auditing of offshore funds, fund structuring and tax planning.

He was previously a member of the Accounting and Auditing task team of the Corporate Governance Committee of Mauritius and the Chairman and member of the Consultative Sub-Committee on the drawing up of the New Listing Rules of the Stock Exchange of Mauritius. He retired as a senior partner with Deloitte at the end of September 2006, after 18 years, to assume the responsibility of Managing director at Apex Mauritius. As a board member of numerous India and Africa focused funds and companies he has gained extensive experience and knowledge on key industries in India and Africa and their principal capital markets.

7 Ian Macleod

Independent Non-executive director
Appointed to the Board 1 July 2015
Listed directorships 2

Ian holds a BCom (Honours) in Real Estate Investment, Valuation and Development and has over 43 years of experience with financial institutions, including Standard Bank of South Africa and Nedbank with a specific focus on Real Estate Credit Risk.

He has extensive knowledge of the real estate sector's key role players, business sector and geographic nodes. Ian has managed portfolios in excess of R80 billion during changing economic cycles and managing problematic properties in economic downturns. It is Ian's expertise and knowledge that have seen him previously hold the position of Head of Credit for Real Estate.

8 Matshepo More

Non-executive director
Appointed to the board 7 February 2017
Listed directorships 3

Matshepo is a Chartered Accountant and holds a Certificate in Theory of Accounting and a Bachelor of Business Science in Finance. Matshepo served her articles at Deloitte, specialising in financial institutions, before being seconded to New York to handle a large asset management company.

She was promoted to audit manager on her return to SA. Matshepo left Deloitte to join the PIC in 2009, where she was appointed as Finance Manager. In 2011, she was appointed CFO of the PIC, where she is responsible for the Corporation's finances, ensuring that the PIC complies with the Public Finance Management Act (PFMA), which regulates financial management of all public entities in the national government and provincial governments.

Matshepo is a member of the Financial Reporting Standards Council, a statutory body responsible for issuing financial reporting standards in South Africa and she also serves on the board of IRBA.

9 Maheshwar Doorgakant

Permanent alternate director for Chandra Gujadhur
Appointed to the Board 11 March 2015
Listed directorships 2

Maheshwar is a fellow of the Institute of Chartered Accountants of England and Wales.

He holds the position of Managing director of Apex Fund Services (Mauritius) Limited, which forms part of the Apex Group. He holds a number of directorships on numerous boards in both India and Africa for various funds and companies through which he has acquired extensive experience and knowledge on key industries in India and its principal capital markets as well as Africa. Mahesh is also the President of the Executive Committee of the Association of Trust and Management Companies of Mauritius.

EXECUTIVE MANAGEMENT TEAM

Exco is responsible for our operational activities, developing strategy proposals for consideration by the board, and implementing the board's directives and policies. Other responsibilities include providing leadership to all employees, developing, implementing and managing the annual budget, and internal controls, governance, risk management, ethics and authority levels.

1

Bronwyn Corbett

Executive director

CHIEF EXECUTIVE OFFICER

See Board of Directors on page 52 for Bronwyn's summary curriculum vitae.

2

Leon van de Moortele

Executive director

CHIEF FINANCIAL OFFICER

See Board of Directors on page 52 for Leon's summary curriculum vitae.

3

Greg Pearson

HEAD OF DEVELOPMENTS AND NEW BUSINESS

Qualifications **MCMI, Elec Eng**

A graduate of Kingston University, London, Greg studied Business Management and Project Management and is registered with the Chartered Management Institute. Greg was formerly an executive with AECOM, a global provider of Design, Development, Engineering and construction services having had the responsibility of expanding the footprint for the 'Rest of Africa' business from 2006 (outside of South Africa). He gained his basic training and experience in London working mostly on commercial, retail and residential mixed use projects. Greg's expertise includes development management, cost planning, procurement, time management and traditional project management of major engineering and building projects.

4

Heidi Rix

CHIEF OPERATING OFFICER

Qualifications **BCom LLB**

Heidi joined Grit in May 2016 as Chief Operating Officer. She brings 18 years of commercial and real estate experience. Heidi was formerly a director of the Broll Property Group where she held the position of Managing director Investor Services with overall responsibility and accountability for the Asset Management, Property Management and Retail Leasing businesses. Prior positions held by Heidi include director of Atterbury Asset Managers (Pty) Ltd and General Manager Rand Merchant Bank Properties (Pty) Ltd.

5

Moira van der Westhuizen

CHIEF INTEGRATION OFFICER

Qualifications **BCom (Hons), CA(SA)**

Moira joined Grit in May 2016 as the Chief Integration Officer. She brings over 20 years of experience in finance, business and auditing. Most of her career she has worked as a private consultant and an Audit partner in private practice, later moving to Investec Bank (Mauritius), followed by joining the CCI Group of companies as the Group Finance Controller.

Hamish Arnold

CHIEF OF STAFF

Qualifications **BSc in Philosophy and Economics**

After graduating from the University of Bristol, where he received a BSc in Philosophy & Economics, Hamish joined Standard Chartered Bank. Over a 21-year career, he held a series of increasingly senior roles across consumer banking, wholesale banking and governance in London, Singapore, Hong Kong, Tanzania and Dubai. Hamish joined the Grit team in August 2017.

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CORPORATE GOVERNANCE REPORT

Commitment to compliance

The board remains fully committed to complying with all legislation and regulations that are applicable to the Company in its various jurisdictions including, but not limited to, the Companies Act 2001 in Mauritius, the SEM Listing Rules, JSE Listings Requirements and the recommendations of established corporate governance frameworks, i.e. the Code of Corporate Governance of Mauritius 2004 and the King IV Report on Corporate Governance for South Africa 2016.

Corporate governance can be defined as the exercise of ethical and effective leadership by the governing body towards the achievement of the following governance outcomes:

- Ethical culture
- Good performance
- Effective control
- Legitimacy

It is the intention that the principles of integrity and the highest ethical standards are upheld by all who serve the Company and its stakeholders.

Application of King IV

The King IV Report on Corporate Governance for South Africa 2016 ("King IV") replaces, in its entirety, the previous King III Report on Corporate Governance for South Africa 2009 ("King III") and is applicable to financial years commencing after 1 April 2017. Pursuant to the amendments to the JSE Listings Requirements in relation to King IV, the JSE requires the application and disclosure thereof from 1 October 2017. The company's compliance with King III was integrated into its application of the King IV principles.

A Register summarising Grit's application of the principles of King IV is available on www.grit.group.

Code of corporate governance of Mauritius 2004

For the 2017 financial year, management hereby confirms that the Company has complied with the Code of Corporate Governance of Mauritius 2004.

Governance framework

The board seeks to maintain strong corporate governance structures and processes by working within a clearly defined governance framework which enables the delivery of sustainable growth to all the stakeholders. The governance framework has established a board sub-committee structure that supports and assists the board and its directors in discharging their duties through a more comprehensive evaluation of specific issues, followed by well-considered recommendations to the board. The board has delegated specific authority to each sub-committee, however, this delegation does not in any way absolve the board of its duties and responsibilities. For each sub-committee, the roles and responsibilities are defined in a board-approved charter. The board delegates authority to the Executive Committee ("Exco"), via the CEO, to manage the business and affairs of the Group. Exco is responsible for ensuring that board decisions are effectively implemented in line with its mandates.

The board feels that the five sub-committees, as shown below, are appropriate for the Company:

BOARD OF DIRECTORS

Audit Committee	Risk Committee	Investment Committee	Remuneration and Nomination Committee	Social and Ethics Committee (in process of being formed)

The board has delegated the management of the Group's daily operations to the **Executive Committee**

CORPORATE GOVERNANCE REPORT continued

The National Code of Corporate Governance for Mauritius (2016) was officially launched on 13 February 2017, but is only applicable as from the reporting year ending 30 June 2018.

The board has committed itself towards becoming fully compliant to the principles of the new code.

Board of directors

Overview

The board believes that achieving the highest standards of corporate governance is key to achieving the Group's vision and strategy, and creating and sustaining value for the Group's stakeholders.

The board's responsibilities are formalised by way of a charter, which is reviewed on an annual basis.

The Charter sets out its responsibilities for the adoption of strategic plans, monitoring of operational performance and management, communication policy and director selection, orientation and evaluation and determination of policy and processes to ensure the integrity of the Company's risk management and internal controls.

The board has established a number of sub-committees to give detailed attention to certain of its responsibilities. All these sub-committees operate under board-approved charters and terms of reference. Save for Exco, all other committees are chaired by an independent non-executive director as far as possible. board meetings are held at least quarterly, with additional meetings convened when circumstances necessitate.

External advisors, executive directors and senior management who are not members of specific committees may attend committee meetings by invitation.

The board has set the strategic objectives of the Company and has determined the investment and performance criteria and continues to be responsible for the sustainability, proper management, control, compliance and ethical behaviour of the businesses under its direction.

Board composition

As at 30 June 2017, the board consists of three independent non-executive directors (one of whom has an appointed alternate director), three non-executive directors and two executive directors. There is an appointed lead independent non-executive director. The board is satisfied that non-executive directors reflect the necessary skills, experience, diversity and independence.

Members of the board as at 30 June 2017:

Independent non-executive directors
Peter Todd *(lead independent)*
Ian Macleod
Chandra Gujadhur

Non-executive directors
Sandile Nomvete *(Chairman)*
Faith Matshepo More
Jacqueline van Niekerk

Executive directors
Bronwyn Corbett *(CEO)*
Leon van de Moortele *(CFO)*

Permanent alternate director
Maheshwar Doorgakant *(alternate to Chandra Kumar Gujadhur)*

A brief curriculum vitae of each director is set out on pages 52 to 53 of this Integrated Report.

Composition of the board as at 30 June 2017

Three independent non-executive directors (June 2016: four)
Three non-executive directors (June 2016: four)
Two executive directors (June 2016: two)

Gender	Male	Female
June 2017	5	3
June 2016	8	2

Demographics	White	Black	Asian
June 2017	5	2	1
June 2016	6	1	3

Roles and responsibilities

- Ensures compliance with applicable laws and regulations and adopted non-binding rules, codes and standards.
- Responsible for leading and controlling the Company's business, the Company's strategy, key policies and the approval of financial objectives and targets.
- Custodian of the Company's corporate governance and ensures that Grit conducts itself as a responsible corporate citizen in light of the impact its operations might have on the environment and the society in which it operates.
- Responsible for risk governance which includes establishing and monitoring of the Group's risk management programme, which incorporates internal controls and risk management procedures.
- Ensuring communication to stakeholders is timely, relevant, meaningful and transparent.

Board appointment and re-election process

Although members of the board are appointed by the Company's shareholders, the board has the authority to appoint directors to fill any vacancy that may arise from time to time. These appointments are ratified by shareholders at the following Annual General Meeting.

The Remuneration and Nomination Committee ("Remco") is tasked with identifying and recommending suitable board candidates for the board's consideration through a formal transparent process. Directors are appointed based on their specific skills set, industry expertise and experience as well as the overall level of contribution they can make to the activities of the Group.

Remco adopted and approved a Gender Diversification Policy www.grit.group. In identifying suitable candidates for appointment to the board, the Committee will consider candidates on merit against objective criteria and with due regard for the potential benefits of gender diversity at a board level.

In accordance with the Company's Constitution, all directors are subject to retirement by rotation and re-election by the Company's shareholders annually.

Board training

New appointees are appropriately familiarised with the Group's business through a formal induction programme which the board has established. The programme aims to familiarise incoming directors with the Group's operations, senior management and its business environment, and to induct them in their fiduciary duties and responsibilities, including but not limited to the SEM Listing Rules and the JSE Listings Requirements. Directors continue to receive *ad hoc* briefings from time to time on relevant new laws and regulations as well as on changing economic risks.

The information needs of the board are reviewed annually and directors have unrestricted access to all Company information, records, documents and property to enable them to discharge their responsibilities effectively. Efficient and timely methods of informing and briefing board members prior to scheduled board meetings are in place.

The board has established a procedure for directors, if necessary in furtherance of their duties. The directors of the Group have unfettered access to the advice and services of the Company Secretary and may seek independent professional advice on the affairs of the Group in appropriate circumstances should they believe that such actions will best serve the interests of the Group. External advisors and executive directors, who are not members of specific committees are invited to attend committee meetings by invitation, if deemed appropriate by the relevant committee.

Board evaluation

The size and composition of the board and its various committees are reviewed on an annual basis and the current size and composition are considered appropriate for the size of the Company.

The board as well as the individual directors have their performance reviewed annually to identify areas for improvement in the discharge of individual director's and the board's functions. These reviews will be undertaken by the Chairman and, if so determined by the board, an independent service provider. Nominations for the re-appointment of a director will only occur after the evaluation of the performance and attendance of the director at board meetings.

The board evaluates the Chairman's performance and ability to add value to the Company on an annual or such other basis as the board may determine.

The board ensures that the role and function of the CEO is formalised and that the CEO's performance is evaluated against specific criteria. The Chairman, or a sub-committee appointed by the board, appraises the performance of the CEO at least annually.

Succession planning

The Remuneration and Nomination Committee has the role and responsibility of ensuring that formal succession plans for the board, CEO and other senior management appointments are developed and implemented. Succession planning is a continuous process that identifies necessary competencies required by an organisation and works to assess, develop and retain a talent pool of employees for all critical positions, to ensure a continuity of leadership within the organisation. The Board views succession planning as crucial to the Company's sustainability. The Remco ensures that, as directors retire, candidates with the necessary skills and experience are identified to ensure that the board's competence and balance is maintained and enhanced, taking into account the Group's current and future needs.

Company Secretary

The Company's appointed Company Secretary, Intercontinental Fund Services Limited, is deemed to be a suitably qualified, experienced and competent Company Secretary that is appropriately empowered to fulfil duties and provide assistance to the board. The board can remove the Company Secretary from office by virtue of the Company's constitution.

The Company Secretary is responsible to the board for ensuring that procedures and regulations are complied with and that directors are conversant with their duties and responsibilities.

The Company Secretary provides the board as a whole and directors individually with detailed guidance on the discharging of their responsibilities in the best interest of the Company and is

CORPORATE GOVERNANCE REPORT continued

a central source of guidance and advise to the board, as well as within the Company, on matters of ethics and good corporate governance.

The Company Secretary is subject to an annual evaluation by the board. Having completed their evaluation, the board is comfortable that the Company Secretary remains suitably qualified and experienced and maintains an arm's-length relationship with the board and individual directors in terms of Section 3.84(j) of the JSE Listings Requirements and is satisfied with their level of expertise, experience and competency.

The Certificate, from the Company Secretary, stating that the Company has filed all such returns with the Registrar of Companies under the Companies Act 2001 in terms of section 166 (d), appears on page 77 of this integrated annual report.

Risk Governance and Internal Controls

The board's responsibility for the establishment of a robust risk management system has been cascaded to the Risk Committee and management. This is done in conjunction with the support of the Internal Audit function.

The risk management mechanisms in place include a system for the ongoing identification and assessment of risks, development of strategies in respect of risk, communication of risk management policies throughout the Group and processes to mitigate and reduce identified risks.

The board has identified and continuously monitors key risk areas, key performance areas and non-financial aspects relevant to the Group. They are, on an ongoing basis, provided with information in respect of key performance indicators, variance reports and industry trends.

The Group's policy on risk management encompasses all significant business risks. These risks and measures adopted to address the risks are detailed on page 71.

The board has disclosed details in their directors' report as to how it has discharged its responsibilities in maintaining an effective compliance framework and process.

The board has in place a policy detailing the manner in which a director's interest in transactions are to be determined, and accordingly addressed. The policy also manages the interested director's involvement in the decision-making process.

Real or perceived conflicts are disclosed to the board and managed in accordance with this policy. In respect of the non-executive directors, their independence is reviewed by the board from time to time and it is the Company's belief that, unless the directors have newly acquired recent interest in the Company, passage of time does not lead to a lack of independence.

The Board has considered the independence of the non-executive directors and believe they remain independent.

Grit's constitution gives the board the authority to indemnify directors. Deeds of indemnification have been issued to all directors and prescribed officers of Grit, to the extent permitted by the Companies Act 2001 in Mauritius. During the reporting period, appropriate directors' and officers' liability insurance was in place.

Board Committees

Audit Committee

A decision was taken in the second half of the year to split the Audit and Risk Committee into two separate committees.

On an annual basis, the Chairperson assesses the performance of the individual comittee members. The Board then reviews the results. The Board is satisfied that the members of the Audit Committee are independent, are suitably qualified and have the experience to enable them to fulfil their roles and responsibilities as per the Committee Charter.

The Committee meets at least three times a year and at least once a year with our external and internal auditors without management being present. Executives and senior management attend meetings by invitation.

The internal audit function is outsourced to Grant Thornton.

Members of the Audit Committee as at 30 June 2017:

Independent non-executive directors

Chandra Gujadhur *(Chairman)*
Ian Macleod

Non-executive directors

Faith Matshepo More
Jacqueline van Niekerk

The composition of the Committee is in line with the Code of Corporate Governance of Mauritius 2004 and King IV.

Roles and responsibilities

- Providing the board with additional assurance regarding the efficacy and reliability of the financial information used by the directors to assist them in the discharge of their duties.
- Reviewing quarterly, interim and Annual Financial Statements and the integrated annual report.
- Providing satisfaction to the board that adequate and appropriate financial and operating controls are in place.
- Determining the nature and extent of any non-audit services that the auditors may provide to the Company.
- Ensuring good standards of governance, reporting and compliance are in operation.

- Overseeing the internal audit function.
- Ensuring independence of external auditors and overseeing the external audit process.
- Annually reviewing the expertise, resources and experience of the CFO and finance function and disclosing the results of the review in the Integrated Report.

Internal Audit

The Internal Audit function is outsourced to Grant Thornton Mauritius ("GT"). The key members of the Internal Audit team from GT are:

Sattar Hajee Abdoola, FCA
Chief Executive Officer, Head of Taxation, Advisory and Recovery Services

Arvind Gokhool, FCCA
Manager, Advisory Services

Usha Imrit, ACCA
Senior Associate in the Advisory Department

During the 2017 financial year, the Audit Committee laid emphasis on standardising the internal audit function to internationally accepted standards in line with the Group's commitment to enhance value and governance. An Internal Audit Charter, prepared by Grant Thornton, sets out the purpose, authority and responsibility of the Internal Audit function of the Group and is consistent with the Charter of the Audit Committee in respect of internal audit and the standards set by International Institute of Internal Auditors, was established and presented to the Audit Committee for approval.

The Internal Auditors have been mandated to review the effectiveness of the design of controls in mitigating assessed risks of the Group. The exercise is currently in progress and is expected to be completed in October 2017. The results will be reported to the Audit Committee.

The internal audit plan for the following financial period ending June 2018 is to evaluate the implementation of controls in managing risks. The strategy will also focus on the operational and financial segments of Grit as well as its geographical and market segments, given its diversified portfolio of assets in several parts of the world.

As Internal Auditors, Grant Thornton, have continuously assessed their independence with respect to the work performed for Grit and confirmed that no conflict of interest exists that may jeopardise the objectivity of the internal audit objectives.

Risk Committee

Members of the Risk Committee as at 30 June 2017:

Non-executive directors
Ian Donald Macleod (Independent Chairman)
Jacqueline Rouxanne van Niekerk

The Committee Charter requires the Committee to meet at least twice a year. The CEO, CFO, other senior management and representatives from the external auditors attend the meetings by invitation. On an annual basis, the Chairperson assesses the performance of the individual committee members. The board then reviews the results. The board is satisfied that the members of the Risk Committee are suitably qualified and have the experience to enable them to fulfil their roles and responsibilities as per the Committee Charter.

Roles and responsibilities

- Overseeing the development and plan for risk management.
- Monitoring the implementation of the policy and plan for risk management taking place by means of risk management systems and processes.
- Ensuring that the risk management plan is disseminated throughout the Company and integrated in the day-to-day activities of the Company.
- Ensuring that risk management assessments and monitoring are performed on a continuous basis.
- Ensuring frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable risks.
- Liaising closely with the Audit Committee.
- Review reporting concerning risk management that is to be included in the Integrated Report for it being timely, comprehensive and relevant.

Remuneration and Nomination Committee ("REMCO")

This Committee meets a minimum of three times a year. The CEO and CFO and any other person knowledgeable in remuneration matters may be invited to attend the meetings.

Members of REMCO as at 30 June 2017:

Independent non-executive director

Peter McAllister Todd (Chairman)
Ian Donald Macleod

Non-executive directors

Sandile Hopeson Nomvete
The composition of the Committee is in line with the Code of Corporate Governance of Mauritius 2004 and King IV.

CORPORATE GOVERNANCE REPORT continued

Roles and responsibilities

Nomination

- Reviewing the board structure, the size and composition of the various Board Committees and making recommendations.
- Overseeing an adequate split between executive and non-executives, independent and non-independent directors.
- Identifying and nominating new directors for approval by the Board.
- Ensuring that appointments to the board are formal and transparent.
- Ensuring induction and training of directors.
- Ensuring formal succession plans for the Board, CEO and senior management.
- Annually review the proper and effective functioning of the Board and the various board committees.
- Annually agree all measurable targets for achieving gender diversity on the Board.

Remuneration

The Committee ensures that the Company remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short-, medium- and long-term.

The Committee has the responsibility and authority to consider and make recommendations to the board on, *inter alia*, the Company's Remuneration Policy, payment of performance bonuses, executive remuneration, short-, medium- and long-term incentive schemes and employee retention schemes.

The Committee uses external market surveys and benchmarks to determine executive directors' remuneration and benefits as well as non-executive directors' base and committee fees. The Company's Remuneration Policy sets out to structure remuneration packages in such a way that long- and short-term incentives are aimed at achieving business objectives and the delivery of shareholder value.

None of the non-executive directors have entered into service contracts with the Company.

Investment Committee

The Committee meets at least four times a year and is responsible for making recommendations and decisions so as to ensure appropriate investment of shareholder funds.

Members of the Investment Committee as at 30 June 2017:

Independent non-executive director

Peter McAllister Todd *(Chairman)*
Ian Donald Macleod

Non-executive directors

Jacqueline Rouxanne van Niekerk
Faith Matshepo More

Executive director

Bronwyn Anne Corbett

The Committee is constituted so as to ensure independence, objectivity and industry expertise.

Roles and responsibilities

- Assisting the board in recommending to them an investment strategy, policy and guidelines.
- Ensuring that the Group's investments are in line with the board-approved strategy, policy, guidelines and vision.
- Recommending and effecting, within the approved investment policy and authority limits, acquisitions and disposals of investments.
- Ensuring that appropriate due diligence procedures are followed when acquiring or disposing of assets.

Social and Ethics Committee

In the last quarter of the financial year ended 30 June 2017, the board has been working towards setting up a Social and Ethics Committee ("S & E"). The intention is that this Committee will assist the board with the oversight of transformation, social and ethical matters and aid in ensuring that the Group remains a committed socially responsible corporate citizen.

The Committee is in the process of formulating a Charter which will set out the roles and responsibilities. The Committee will be guided by the various Codes of Corporate Governance that it adheres to.

Proposed Roles and Responsibilities

- Supplement, support, advise and provide guidance on the effectiveness or otherwise of management's efforts in respect of social and ethics and sustainable development-related matters.
- Monitoring compliance with legislation.
- Monitoring employment equity and fair labour practices.
- Driving environmental responsibility and sustainability matters.
- Monitoring good corporate citizenship.
- Review and monitor the Company's stakeholder engagement plans, guidelines and practices.

Attendance at meetings during the financial year

	Board*	Audit and Risk Committee**	Audit Committee	Risk Committee	Nomination and Remuneration Committee	Investment Committee
(1) Sandile Hopeson Nomvete *(Chairman)*[1]	4(4)				3(3)	
(2) Bronwyn Anne Corbett (CEO)[2]	4(4)					7(7)
(3) Peter McAllister Todd[3]	4(4)				3(3)	7(7)
(4) Maheshwar Doorgakant[4]	1(2)					
(5) Chandra Kumar Gujadhur[5]	4(4)	2(2)	1(1)			
(6) Ian Donald Macleod[6]	3(4)	2(2)	1(1)	1(1)	2(3)	7(7)
(7) Leon Paul van de Moortele[7]	4(4)					
(8) Jacqueline Rouxanne van Niekerk[8]	3(4)	2(2)	1(1)	1(1)		6(7)
(9) Faith Matshepo More[9]	2(2)					1(1)
(10) David Stanley Savage[10]	1(2)					
(11) Ashish Jagdish Thakkar[11]	2(2)					

** Please note that board meetings of administrative nature were held during the period 1 July 2016 to 30 June 2017 in addition to meetings for approval of accounts.*

*** The Audit and Risk Committee was split into two different committees, namely Risk Committee and Audit Committee, as from 6 February 2017.*

[1] Mr Nomvete was appointed to the Board on 12 May 2014 and is the Chairman of the Board. He is a member of the Nomination and Remuneration Committee.

[2] Mrs Corbett was appointed to the Board on 12 May 2014 and is a member of the Investment Committee.

[3] Mr Todd was appointed to the Board on 14 August 2014 and is the Chairman of the Nomination and Remuneration and the Investment Committee.

[4] Mr Doorgakant was appointed to the Board on 11 March 2015 and had not offered himself for re-election at the previous annual general meeting of the Company. He was re-elected as alternate director to Mr Gujadhur on 29 November 2016. Mr Doorgakant attended the Board meeting of the Company as alternate to Mr Gujadhur on one occasion.

[5] Mr Gujadhur was appointed to the Board on 30 June 2015 and is the Chairman of the Audit Committee. He was the Chairman of the Audit and Risk Committee.

[6] Mr Macleod was appointed to the Board on 30 June 2015 and is the Chairman of the Risk Committee. He is a member of the Nomination and Remuneration, Investment and Audit Committee. He was a member of the Audit and Risk Committee.

[7] Mr van de Moortele was appointed to the Board on 30 June 2015.

[8] Mrs van Niekerk was appointed to the Board on 1 June 2016 and is a member of the Audit, Investment and Risk Committee. She was a member of the Audit and Risk Committee.

[9] Mrs More was appointed to the Board on 7 February 2017 and is a member of the Investment and Audit Committee.

[10] Mr David Stanley Savage was appointed to the Board on 1 June 2016 and did not offer himself for re-election at the previous annual general meeting of the Company.

[11] Mr Thakkar was appointed to the Board on 1 June 2016 and resigned on 26 November 2016. Mrs Carys Comerford-Green and Mr Aditya Mittal attended the Board meeting of the Company as alternate to Mr Thakkar on one occasion each.

Ethics and organisational integrity

The board aims to provide effective and ethical leadership, and ensure that its conduct and that of management is aligned to its values.

Conflicts of interest

In terms of managing potential conflicts of interest, the board has established a procedure for the directors. Directors are required to submit written declarations of interests and directorships annually to the Company Secretary.

Following this, at each meeting of the board, directors are required to confirm any changes to their interests. Should there be any potential and/or deemed conflicts these are immediately addressed and appropriate action is taken.

Directors' dealings

Dealing in the Company's securities by directors and company officials is regulated and monitored as required by the SEM Listing Rules and the JSE Listings Requirements. With regard to directors' dealings in the shares of their own company, the directors confirm that they have followed the model code for securities transactions by directors as detailed in Appendix 6 of the SEM Listing Rules as well as the JSE Listings Requirements.

CORPORATE GOVERNANCE REPORT continued

All directors' trading must take place exclusively outside the closed periods prescribed by the Stock Exchange Regulations. The Company's policy prohibits dealings by directors and certain other managers in periods immediately preceding the announcement of its interim and year-end financial results, any period while the Company is trading under cautionary announcement and at any other time deemed necessary by the board.

This policy is managed by the Company Secretary with the persons authorised to clear directors for trading in open periods being the Chairman and in his absence (or in the case of any potential conflict) the lead independent director.

Professional advice

As advised earlier, all directors have direct access to the advice and services of the Company Secretary. There is a board procedure in place for directors to take independent professional advice, if necessary, in furtherance of their duties, at the Company's expense.

Material clauses of the constitution

There are no clauses of the constitution deemed material enough for separate disclosure.

Shareholders' Agreement affecting the Governance of the Company by the board:

The directors confirm that, to the best of their knowledge, they are not aware of the existence of any such agreement.

Share options plans

There are no share option plans offered to directors and key management by the Company.

Shareholder information

Kindly refer to page 148 for detailed share price information and shareholder analysis.

Dividend policy

In the ordinary course of business, distributions shall be made bi-annually to shareholders, after each reporting period, i.e. the interim reporting period of 31 December and the year-end reporting date of 30 June. Special distributions may be made by the board from time to time.

The dividend declared will be limited to the maximum amount of distributable reserves within Grit and shall be determined by the board in compliance with the solvency and liquidity requirements set out in the Mauritian Companies Act, 2001.

Non-audit services

From time to time the Company engages with the external auditors to perform non-audit services. Refer to note 21 on page 118 in the Annual Financial Statements.

Related party transactions

Refer to note 33 on page 132 in the Annual Financial Statements.

Donations and contributions

In the absence of a formal S & E Committee, Exco has identified various initiatives that fall into the Company's Corporate Social Investment programme.
Refer to page 64 for details.

No political donations have been made by the Company or its subsidiaries during the financial period.

Third party management agreement

Other than the property management agreements, there was no agreement between third parties and the Company or its subsidiaries during the year under review.

Special resolutions passed during the last financial year

Circular dated 30 June 2017.

Special resolution number 1 – Change of name

THAT the change in the Company's name from "Mara Delta Property Holdings Limited" to "Grit Real Estate Income Group Limited" be and is hereby approved, with the name change to take effect on the date of the issue of the new certificate of incorporation on change of name by the Registrar of Companies in Mauritius.

The only thing we know about the future is that it's going to be different

Corporate Social Responsibility Initiatives

KENYA – RHINO CONSERVATION IN AFRICA

June 2017, in the foothills of Mount Kenya in the Ol Pejeta Conservancy, home to the world's last three Northern White Rhino subspecies, saw an important fund-and-awareness-raising cricket event take place, the Last Male Standing T20 Rhino Cup. This annual event helps to create funds and awareness of the plight of the Northern White Rhino and the greater risk of poaching and ivory/rhino horn trade out of East Africa.

This was no ordinary cricket event. A team of eight battle-dressed Maasai Warriors batted it out against the Ambassadors, a mixed team of eight corporates, including Grit's CEO Bronwyn Corbett, and Exco member, Greg Pearson, all exhibiting the determination that is the backbone of Africa, and proving that despite all their differences, in culture, in achievements, in aspirations, they all share the will to build a stronger, more resilient world, where setbacks are stepping stones and victories are game changers.

Last Male Standing is a collaborative effort between Ol Pejeta Conservancy, the British Army (BATUK), Fauna & Flora International, Australian High Commission (Kenya), the East Africa Cricket Foundation, Last Man Stands, the Primary Club of Australia, the Obuya Cricket Academy, and the Maasai Cricket Warriors.

Kenyan born and raised, Rob Stevenson is the organiser of Kenya's Last Male Standing Rhino Cup (LMS) for the past three years, and set up LMS to help rhino conservation in Kenya and cricket development in the Kenyan region. Last Male Standing has approximately 6000 teams playing T20 cricket globally to raise funds and awareness for the Ol Pejeta Conservancy.

Says Stevenson, "In the conservancy, we have the last three Northern White Rhino of which one is 'Sudan' a 100-year-old male Northern White Rhino, the last of his species. Last Male Standing supports the conservancy, and the region's community and cricket development.".

Grit, having its footprint in Kenya, has selected this all-important, under-resourced Rhino Conservancy as one of its primary CSR projects. Grit also commissioned a team to document the event, as well as the last remaining three Northern White Rhino subspecies, and Sudan.

We have a committed team of people and partners who joined us to play this momentous match in this extraordinary Ol Pejeta Conservancy to raise funds and awareness to help save these last three historical mammals that deserve all of our attention. We know what is possible when we work together, and our partners that see the potential too. We know our future is already brighter than our past, and we know progress is well within our reach.

Bronwyn Corbett – Grit CEO

COLIN MAYER MOUNTAIN BIKE TOUR

"It's a long-term vision to uplift the community through sport. We would like Grit CMT to be one of the best riding experiences in Africa, one which riders from all over the world aspire to ride."
Greg Pearson – Grit Executive

The Colin Mayer Tour is a high-profile, NPO formed in collaboration with the FMC (Mauritius Cycling Federation) and the MMTBC (Mauritius Mountain Biking Commission), and set up in memory of Colin Mayer by his cousins, Greg Mayer and Michel Mayer. Colin Mayer, who tragically died at the Junior World Champs in Moscow in 2009, was a "one of a kind" sports legend in Mauritius who inspired an entire generation of cyclists.

Passionate for the bike, Mayer only started cycling at the age of 30 but became the Indian Ocean Champion and a multiple time trial champion, and was considered "Boss of the Peloton". He is commemorated through this race, inspiring riders throughout Mauritius to push themselves beyond their limits.

Greg Pearson, EXCO member at Grit Real Estate Income Group (Grit), and the President of the Colin Mayer Tour, Michel Mayer, signed a naming rights partnership for the sum of Rs500 000 (R100 000) per annum, raising the bar for the tour, and setting the standards of MTB races in general in Mauritius.

Pearson said Grit had been a smaller sponsor of the inaugural 2016 Colin Mayer Tour but after experiencing the event first-hand, had decided they wanted to increase their sponsorship substantially going forward to help grow it into a race calendar 'must-do' event in Mauritius, competing with other renowned MTB races in South Africa by attracting a competitive contingent to race in Mauritius.

Said Pearson, "For us, the Grit Colin Mayer Mountain Bike Tour provides an excellent platform to extend the metaphor of mountain biking, collaboration and building an African real estate conglomerate.

"At the same time, we honour the memory of a good friend and his attitude towards living life, Colin Mayer. We also want to inspire through sport and change people's lives for the better. An event like the Colin Mayer Tour can change the life of a little boy or girl, or a grown person.

"I have seen so many people's lives change for the better through sport. We need more of that. We are also supporting small businesses in the locality and supporting a local children's charity "Reve et Espoir".

All Life Matters Animal Sanctuary ("ALM")

This new Mauritian non-profit organisation is very close to Grit's heart.

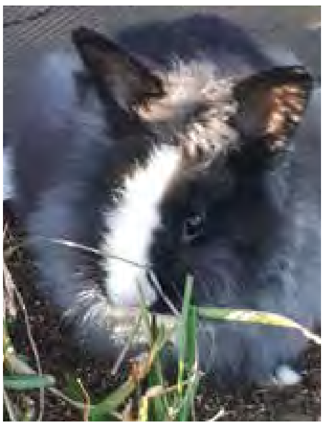
Since arriving in Mauritius nine years ago, Moira van der Westhuizen, a member of Grit's EXCO, has been very involved in PAWS Mauritius. With a focus on the welfare of cats and dogs, PAWS believes that education and sterilization as the only humane and sustainable solution to Mauritius' regrettable problem of an overpopulation of stray cats and dogs roaming the streets and beaches.

Over the years, Moira has rescued multitudes of animals. Currently caring for almost 100 animals, she has set up a dedicated farm for these animals where they can live out their lives. Her philanthropy has expanded over the years beyond its initial focus on cats and dogs. The menagerie now includes retired race horses, pigs, a goat, tortoises, rabbits, chickens, ducks and a turkey, with other species on their way. Each and every animal has a story to tell.

With support and guidance from other Exco members, the farm has now been converted into a non-profit organisation called ALM. The aim of ALM, besides being a forever home to the animals, is to teach compassion – towards one another; towards animals; and, most importantly, towards our environment. ALM employs ten Mauritian staff to care for the animals and assist in the education programme. ALM has already undertaken a number of very successful events towards achieving these goals, where schools have arranged excursions to the sanctuary and the children have had the pleasure of interacting with the animals, being in the outdoors and getting to ride on a horse – a totally new experience for most of these children.

Grit believes in, and is intimately involved in, ALM and since March 2017 has donated Rs50 000 per month to support its crucial work on our island.

All Life Matters
ANIMAL SANCTUARY



REMUNERATION AND NOMINATION COMMITTEE REPORT

Under its terms of reference to assist the board, the Remuneration and Nominations Committee's ("the Committee" or "Remco") dual objectives are to ensure that:

- remuneration of the executives and the staff are competitive and stimulates sustainable performance and behaviours that create shared value over the long-term; and
- the board composition and structures are appropriate, including the size and composition of the various board committees and considering whether there is an appropriate split between executive, non-executive and independent directors.

The Committee has the responsibility and authority to consider and make recommendations to the board on, *inter alia*, the remuneration policy of the Company, executive remuneration, short-, medium- and long-term incentive schemes and employee retention schemes.

The terms of reference of the Committee, contained in the Charter, is reviewed annually by the board and is available on request from the Company Secretary.

The Committee consists of three non-executive directors. At the date of this report the Remuneration and Nomination Committee comprised the following directors:

- Peter Todd (*Lead independent Chairman*)
- Ian Macleod (*Independent*)
- Sandile Nomvete

The agendas for the Committee meetings are appropriately structured so as to separate out nomination and remuneration matters.

The CEO, the CFO and representatives from the Intercontinental Fund Services Limited attend the Committee meetings by invitation only.

The Charter requires that the Committee meet a minimum of three times prior to the end of the financial year.

The Committee met three times during the year. Refer to page 61 for a schedule of meeting attendance.

Remuneration strategy

Grit's remuneration strategy adopts a performance-based remuneration philosophy that recognises that remuneration plays a key role in:

- facilitating the attraction and retention of staff;
- reinforcing the alignment of individual staff objectives with Grit's business objectives; and
- motivating individual and corporate performance.

The Committee endeavours to ensure that:

- through its oversight role, the remuneration practices of staff are applied consistently in accordance with the Remuneration Policy and they are compliant with the laws, governance principles and regulations of Mauritius;
- quality staff are retained and developed;
- remuneration is regularly benchmarked against other property funds listed on the SEM and the JSE; and
- employees are responsibly and fairly remunerated and equal opportunity is afforded to all employees.

Remuneration policy

The purpose of the policy is to create a framework for managing and controlling remuneration, thus ensuring that the Company is able to effectively attract, retain and motivate the talent required to achieve desired operational and strategic objectives and to ensure equal remuneration for work of equal value.

The policy sets out the approach to remunerating all permanent full-time employees of Grit across all elements of remuneration, including guaranteed and variable pay.

The HR executive implements and maintains this remuneration policy. Any material changes to the policy must be authorised in writing by the Remuneration and Nominations Committee. A summarised version of this policy will be put to a non-binding advisory shareholder vote at the Annual General Meeting.

Remuneration principles

The following guiding principles underpin the performance-based remuneration philosophy:

Total remuneration: Grit adopts both guaranteed and variable pay to reward its staff. The variable pay currently comprises of a short-term incentive ("STI") plan and Discretionary Bonus based on Outstanding Contribution to the business. The total remuneration will be comprised of an appropriate balance of these reward elements. In the context of a relatively newly established company embarking on a high growth phase, the mix of these elements will be weighted more heavily towards variable pay.

Market competitive: Guaranteed remuneration will be targeted at the market median and total remuneration will be targeted between the industry-specific market median and the 75th percentile for outperformance. External benchmarking against the industry peer group is conducted every three years and Grit endeavours to pay at or around the industry specific median for on-target performance. The opportunity to earn remuneration at an outperformance level supports delivering higher reward to individuals only when the Company achieves higher than target (expected) returns. The primary peer group for purposes of benchmarking pay will comprise of other similar-sized property funds inwardly and dual-listed on the Mauritius & Johannesburg Stock Exchange, also taking into account specific countries where samples are based. Benchmarking is used only as a guide to determining market competitiveness of remuneration levels.

Performance linked: Grit's performance-based pay philosophy is designed to ensure that the executives have an element of their total remuneration tied to Grit's performance through variable pay. Variable remuneration will therefore be linked to pre-defined performance measures. Each year the Committee will consider the performance measures to ensure that they are appropriate and challenging in the context of the prevailing business environment and reinforce the business strategy. The performance measures in the incentive plans will be limited in number and individual measures will be tailored to maximise accountability and will include non-financial measures.

Grit embraces defensible differentiation in pay whereby a greater proportion of reward is distributed to the highest performers.

Flexibility: The adopted remuneration structures must be able to adapt and evolve with changing business and human resource needs.

Affordability: Total remuneration costs need to be affordable at an individual corporate entity level and justifiable to employees and stakeholders.

Simplicity and transparency: The reward philosophy, principles and structures are to be openly communicated, to internal and external stakeholders, with the annual reward opportunity and alignment to individual performance being communicated to the individual. Remuneration structures must not be overly complex to communicate, administer and understand. Open communication assists in the engagement of employees by supporting an environment of trust and stakeholder confidence regarding remuneration issues.

Sustainability: The remuneration policy and practices are designed to support long-term value creation for all stakeholders as well as compliance with regulatory changes.

Remuneration structure

Employees' remuneration should encourage good performance, sound behaviour and risk-taking that is aligned with the Company's intentions. Remuneration is based on experience and performance and promotes long-term commitment to creating and sustaining value.

Elements of the remuneration structure are split into fixed and variable remuneration:

Fixed remuneration

Guaranteed package

Grit applies the Cost to Company remuneration approach, also referred to as "guaranteed package".

The value of the guaranteed package reflects the individual's competencies and skills and is reviewed annually in June, effective from July each year.

Benefits

Group Life and Disability cover is provided to all employees.

Expatriates receive benefits associated with living in a foreign country.

Variable remuneration

Short-term incentives

A short-term incentive to reward executives, senior management and key talent on achieving and exceeding their personal and Company annual performance targets

Discretionary bonus

An opportunity to formally recognise employees at any level who have made an exceptional contribution to the business, on a once-off or short-term basis, which is over and above the employee's normal job requirements and is worthy of recognition.

Long-term incentive scheme

In line with global human resource best practices and in order to align the interests of Grit's management team with Grit's investors a long-term incentive scheme is being implemented. Thus far, the scheme has been approved by both the SEM and JSE but subject to shareholder approval. A summarised version of the scheme will be put to shareholder vote at the Annual General Meeting.

Job evaluation

Jobs will be evaluated from time to time to:

- establish and maintain a defensible rank ordering of jobs;
- ensure consistent and fair remuneration so that "equal pay for work of equal value" is achieved;
- assist in the determination of market-related total remuneration per job family; and
- benchmark against an identified in-country peer-group.

REMUNERATION AND NOMINATION COMMITTEE REPORT continued

Remuneration of executive directors

The most salient terms and conditions included in the existing contracts of employment are as follows:

- Permanent contracts of employment.
- The notice period is three months.
- There is no provision in the contracts for loss of office payments, other than those required by employment law.

The remuneration and benefits approved for the executive and non-executive directors in respect of the 2016 and 2017 financial years were:

	Year ended 30 June 2017 $	Year ended 30 June 2016 $
Directors' emoluments		
Basic salaries paid to executive directors		
Bronwyn Corbett	**579 850**	190 056
Leon van de Moortele	**362 974**	207 958
Total executive directors' emoluments	**942 824**	398 014
Fees executive directors' emoluments by category		
Basic salary	**470 238**	289 318
Performance bonus	**338 764**	11 727
Pension fees	**–**	4 823
Other benefits	**133 822**	92 146
Total executive directors' emoluments	**942 824**	398 014
Payments made by Company:		
Paid from Freedom Asset Management Limited		322 425
Paid from Delta International Mauritius Limited	**942 824**	75 589
Total fees paid	**942 824**	398 014
Director fees paid to non-executive directors		
Directors of holding Company		
Peter Todd	**22 800**	11 400
Maheshwar Doorgakant	**12 000**	19 500
Chandra Gujadhur	**16 800**	16 050
Ian Macleod	**19 200**	12 600
Jackie van Niekerk	**16 800**	–
Matshepo More	**8 400**	–
	96 000	59 550
Directors of subsidiaries		
Brian Holmes	**30 000**	17 500
	30 000	17 500
Total non-executive directors' emoluments	**126 000**	77 050
Total directors' emoluments	**1 068 824**	475 064

RISK COMMITTEE REPORT

Key risk factors and risk management

Risk is the volatility of unexpected outcomes. Within the Grit framework, this would specifically relate to the adverse impact on the value of its assets, equity or earnings. Risk management is the discipline by which these risks are identified, assessed and prioritised. It is essential to understand the multiple dimensions of risk in order to manage these effectively, with the aim of increasing shareholder value.

Risk management is essential for improved performance, growth and sustainable value creation. The process for identifying and managing risks has been set by the board. The board has overall responsibility for risk management, but has delegated the responsibility for monitoring risk management processes and activities to Grit's Risk Committee. The day-to-day responsibility for risk management, including maintaining an appropriate internal control framework, remains the responsibility of Executive Management.

Risk management is an integral part of the Company's strategic management and is the mechanism through which risks associated with the Company's activities are addressed. The key objectives of the risk management system include:

- The identification, assessment and mitigation of risks on a timely basis;
- The provision of timely information on risk situations and appropriate risk responses;
- The identification of potential opportunities which would result in increasing firm value; and
- The installation of a culture of risk management throughout the Company.

Risks are monitored via the risk management framework in terms of which management identifies risks, documents these in the risk matrix and assesses the probability of their occurrence as well as the potential impact of the risk on the organisation. Each identified risk is then managed and, where possible, mitigated. Due to the dynamic nature of the economic environment in which Grit operates, risks, and the impact thereof, change constantly. Accordingly, risk management is a dynamic and ongoing discipline which is continuously adapted to its environment.

The risk management framework is presented to the Risk Committee on an annual basis.

The key risks include:

Key risk	Impact	Mitigation measures
Market/Strategic		
Regulatory risk – JSE and SEM compliance	Fines and public censures if non-compliance occurs	Strong relationships with corporate sponsors and Company Secretary in both Mauritius and South Africa
	Reputational risk	Completion of annual compliance checklist
		Appointment of consultants for specialised assignments
Regulatory risk – multi-jurisdictional legal compliance	Unintentional non-compliance with new laws resulting in fines or public censures	Detailed country due-diligence process conducted to form part of Investment Committee decision-making for initial investments in new jurisdictions
	Contractual terms in contradiction to specific country law resulting in inability to enforce contractual terms	Engagement of local offices of international legal firms within the operational jurisdictions
		Appointment of suitably qualified local in-country managers with oversight from senior management dedicated to specific countries
Regulatory risk – exchange control regulations in operating jurisdictions	Repatriation of funds for foreign supplier payments, debt repayments, interest and dividends may be delayed or blocked	Appointment of reputable audit firms and legal advisors to ensure compliance with laws and process
	Projects delayed due to approval processes of foreign equity and/or debt	Outsource registration of equity, debt and foreign supplier contracts with the applicable central bank to reputable local experts

RISK COMMITTEE REPORT continued

Key risk	Impact	Mitigation measures
Reputational risk	Loss of investor confidence resulting in share price volatility	Oversight by the board and independent directors
		Regular communication with stakeholders
		Transparent culture and reporting
		AGM to address issues and queries
Currency risk – foreign investments/assets and debt	Net asset value fluctuations may occur due to unrealised foreign exchange movements, which ultimately impacts share prices and the ability to raise additional capital at the correct price	New investment limited to strong economies with stable foreign exchange rates to the US Dollar
	Erosion of distributable earnings	Where appropriate, enter into cross currency swap agreements
		Conversion of all cash balances to US Dollar on receipt
		Matching the currency of debt related to the investment to the underlying functional currency
Non-compliance with covenants	Increased finance costs by financiers	Ratios (both actual and forecast) monitored by management on a monthly basis
	Inability to raise additional funding for future projects	Ratios (both actual and forecast) monitored by the board on a quarterly basis
Country risk	New government policies and processes may be adopted that are to the determent of foreign investors (flow of dividends, capital, taxation and land ownership)	Careful country due diligence prior to initial investments and limits to investments in countries that target foreign investment
Financial		
Destruction of investment property	Financial loss to the Company and reduced asset value	Properties are adequately insured by reputable underwriters
		Adequacy of insurance cover (covering replacement cost and loss of income) reviewed by the board
Interest rate volatility	Increased finance costs resulting in reductions to distributable earning	Minimum of 70% of long-term debt is fixed by entering into interest rate swap contract
		Ability to access debt from multiple-jurisdictions and currencies
		Terms of loans are kept to a maximum of five years to facilitate refinance transactions where required
Liquidity and refinance risk	Inability to refinance debt on expiry	Forward cashflow management
	Inability to raise debt to fund new projects	Monitoring debt markets in all operational jurisdictions
		Early engagement with financiers
		Diverse source of funding (in both type and jurisdiction)
Skills shortage for finance staff in certain jurisdictions	Inability to produce on time, accurate reporting	Strong management oversight on management reporting
		Engagement of reputable audit firms to provide monthly review of management accounts

Key risk	Impact	Mitigation measures
Operational		
Underperformance of property managers	Reputational risk	Performance-driven contracts with property managers
	Delays in recovering amounts due from tenants	Increased supervision by the Group
	Increased vacancies	Regular meetings between the Group and property managers covering property performance, tenant arrears, vacancies, building conditions and tenant relationships
	Deterioration of buildings	Regular property inspections
Language barriers	Misinterpretations of instructions result in delays to projects and non-delivery services	All local employees required to have a working knowledge of English
	Delays in producing required reporting	Where required additional English training is provided
Contracts required to be recorded in the official language of the specific country	Inability to correctly interpret detailed terms and conditions in contracts	Use of suitably qualified sworn translations for all legal documentation
		Engagement of local legal council who are fluent in both English and the official language
Arrears and bad debts	Failure to recover amounts on time	Vigilant credit control process by property managers
	Breakdown in relationships with key tenants	Continued engagement with tenants by asset manager
	Write-offs of material bad debts	Robust debt collection process
		Continual monitoring of trading densities within the retail environment to identify and address potential risks before default
		Deposits and security (including personal sureties where applicable)
Information technology (IT) failures	Impaired operational ability	Daily backups to an offsite storage facility
	Delayed and/or inaccurate financial reporting due to loss of data	Multiple iterations of backup data
		IT services outsourced to suitably qualified service providers
		Virtual server environment
Vacancy risk	Erosion of rental income and distribution	Early engagement with tenants approaching lease expiry dates
		Strong focus on tenant relationships to ensure retention
Physical deterioration of properties	Physical deterioration may result in untenantable building	Asset managers perform regular site visits in addition to the monthly inspections conducted by the property managers
	Increase vacancies and operating costs	Strong tenant relationships identify potential issues early

"When a team outgrows individual performance and learns team confidence, excellence becomes a reality"

– Joe Paterno

performance

Canonnier Beachcomber Resort and Spa

grit


Barclays House

Annual Financial Statements

DIRECTORS' RESPONSIBILITY AND COMPLIANCE

Directors' responsibilities

The directors of GRIT Real Estate Income Group Limited ("the Company") are responsible for the preparation and fair presentation of the financial statements, comprising the Company's Statement of Financial Position as at 30 June 2017, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards ("IFRS") and in Compliance with the Mauritius Companies Act 2001.

The directors acknowledge their responsibilities for the design and implementation of adequate accounting records and maintaining internal control systems; the fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are consistent and reasonable in the circumstances.

The external auditors are responsible for reporting on whether the financial statements are fairly presented.

The directors report that adequate accounting records and maintenance of internal control systems, and risk management have taken place; the appropriate accounting policies supported by reasonable and prudent judgements and estimates have been used consistently; IFRS principles have been adhered to; the Code of Corporate Governance for Mauritius has been adhered to (reasons have been provided in the Corporate Governance Report in case of non-compliance with any requirement).

The directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

Approval of the Annual Financial Statements of the Company

The annual financial statements of the Company have been approved by the Board on the 20th of September 2017.

Signed on behalf of the board by

Sandile Nomvete
Chairman

Bronwyn Corbett
Chief Executive Officer

STATEMENT OF COMPLIANCE

We, the directors of GRIT Real Estate Income Group Limited, confirm to the best of our knowledge that this Public Interest Entity has complied with all of its obligations and requirements under the Code of Corporate Governance ("the Code") under Section 75(3) of the Financial Reporting Act of Mauritius for the period ended 30 June 2017.

Sandile Nomvete
Chairman

Bronwyn Corbett
Chief Executive Officer

20 September 2017

CERTIFICATE FROM THE COMPANY SECRETARY

We certify that, to the best of our knowledge and belief, the Company has filed with the Registrar of Companies all such returns as are required of the Company under the Mauritius Companies Act 2001 in terms of Section 166(d), for the year ended 30 June 2017.

Intercontinental Fund Services Limited
Company Secretary

20 September 2017

AUDIT COMMITTEE REPORT

During the year, due to the rapid growth of the Group and the fact that both the audit function and the risk function are of such importance to the overall achievement of the board's strategy, the board, on the suggestion of the Audit Committee, took the decision to create a separate Risk Committee.

The Audit Committee ("the Committee") is an independent committee having specific statutory responsibilities to the shareholders in terms of the:

- Code of Corporate Governance for Mauritius; and
- King Code of Governance Principles for South Africa

The role of the Audit Committee is to ensure the integrity of financial reporting and the audit process. In pursuing these objectives, the Audit Committee:

- oversees relations with the external auditors;
- assists the board in discharging its duties relating to the safeguarding of assets, the operation of adequate systems and internal control processes;
- oversees the preparation of accurate financial reports and statements in compliance with all applicable legal requirements and accounting standards; and
- ensures compliance with good governance practices and nomination of external auditors.

The Committee has adopted a formal Charter which has been approved by the board and has been incorporated in the Board Charter.

The Committee consists of four non-executive directors. The chairman is independent.

At the date of this report the Audit Committee comprised the following directors, two of whom are independent.

- Chandra Gujadhur (Independent *chairman*)
- Ian Macleod (*Independent*)
- Jacqueline van Niekerk
- Faith Matshepo More

The members of the Committee are all suitably qualified, experienced and financially literate.

The CEO, the CFO and representatives from the external auditors attend the Committee meetings by invitation only. The external auditors have unrestricted access to the Committee.

The Committee met four times prior to the end of the financial year. This being in accordance with its charter, King IV and Companies Act, which requires that the Committee meet a minimum of four times prior to the end of the financial year.

Statutory duties

In the execution of its statutory duties relating to the financial year under review, the Audit Committee:

- nominated and recommended BDO for appointment, as external auditors of the Group, a registered auditor who, in the opinion of the Committee, is independent;
- determined the fees to be paid to the auditors and the auditor's terms of engagement;
- ensured that the appointment of the auditor complied with the provision of the Companies Act of Mauritius 2001, and any other legislation relating to the appointment of auditors;
- determined the nature and extent of any non-audit services that the auditor may provide to the Company;
- pre-approved any proposed agreement with the auditor for the provision of non-audit services to the Company;
- prepared a report, which has been included in the Annual Financial Statements of the Company for the financial year under review;
- received and dealt appropriately with any concerns or complaints, whether from within or outside the Company, or on its own initiative, in relation to the matters as set out in the Companies Act; and
- made submissions to the board on any matter concerning the Company's accounting policies, financial control, records and reporting.

The Committee has fulfilled its statutory responsibilities in compliance with its terms of reference for the year under review.

Regulatory compliance

The Committee has complied with all the applicable regulatory and legal responsibilities.

External audit

The Committee reviewed the independence, objectivity and effectiveness of the external auditors and based on our satisfaction with the results of the activities outlined above we have recommended to the board that BDO should be re-appointed for the financial year ending 30 June 2018.

Internal Audit

Grant Thornton are the appointed Internal Auditors. Refer to page 59 of the Integrated Annual Report for the key members of the Internal Audit function.

During year, the Audit Committee has laid emphasis on standardising the internal audit function to internationally accepted standards in line with the Group's commitment to enhance value and governance. In this context, an Internal Audit Charter has been established and approved by the Committee. The Internal Audit Charter has been prepared by the internal auditors and sets out the purpose, authority and responsibility of the Internal Audit function of the Group. It is consistent with the terms of reference of the Audit Committee in respect of internal audit and the standards set by Institute of Internal Auditors.

The Internal Auditors have been mandated to review the effectiveness of the design of controls in mitigating assessed risks of the Group. The exercise is currently in progress and will be completed in first quarter of financial year 2018 which will be reported to the Audit Committee.

The Internal Audit plan for 2018 is to evaluate the implementation of controls in managing risks. The strategy will also focus on the operational and financial segments of Grit's as well as its geographical and market segments, given its diversified portfolio of assets in several parts of the world.

As Internal Auditors, Grant Thornton, have continuously assessed their independence with respect to the work performed for Grit and confirmed that no conflict of interest exist that may jeopardise the objectivity of the Internal Audit objectives.

Terms of engagement and fees paid to external auditor

Prior to the commencement of the annual audit, the nature and scope of the audit was discussed with the external auditors. Following this discussion, the Committee, in consultation, with Executive Management, agreed to the engagement letter, terms, audit plan and budgeted audit fees for the financial year ended 30 June 2017. The Committee considered the fee to be fair and appropriate. Information relating to non-audit services provided by the appointed external auditors of the Company has been disclosed in note 21 to the Annual Financial Statements. Separate disclosures have been made of the amounts paid to the appointed external auditors for non-audit services as opposed to audit.

Finance function

The Committee has reviewed the consolidated and separate financial statements of the Group, and is satisfied that they comply with International Financial Reporting Standards.

The external auditor has expressed an unqualified opinion on the annual financial statements for the year ended 30 June 2017.

We are satisfied that Leon van de Moortele, the CFO, has the appropriate expertise and experience to meet his responsibilities in that position as required by the SEM and the JSE.

We are satisfied with:

- The expertise and adequacy of resources within the finance function.
- The experience of the senior financial management staff.

Going concern

The committee through its review of the 2018 budget and cash flows and discussions with Executive Management reported to the Board that it supports management's view that the Company will continue to operate as a going concern for the foreseeable future.

Integrated Report

The Committee has reviewed and commented on the financial statements and the disclosure of sustainability issues included in this Integrated Report to ensure that they are reliable and do not conflict with the financial information disclosed in this Integrated Report. This Integrated Report was recommended to the board for approval.

On behalf of the Audit Committee

Chandra Gujadhur
Chairman
19 September 2017

DIRECTORS' REPORT

Directors' report

The board has pleasure in submitting the directors' report for the year ended 30 June 2017.

Nature of business

Grit Real Estate Income Group Limited ("Grit"), previously Mara Delta Property Holdings Limited, is the leading Pan African income generating group that focuses on real estate assets in carefully selected African countries, excluding South Africa, underpinned by predominantly USD and EURO-denominated long-term leases with high quality tenants delivering strong sustainable income.

The Company was initially incorporated on 16 May 2012 in Bermuda and registered by continuation in Mauritius as a public company limited by shares on 11 March 2015, it holds a Category One Global Business License.

Grit has dual listing on the official board of the SEM and the main board of the JSE.

At the year-end Grit has a portfolio of 13 properties with a total asset value of USD492m (2016: USD296m), with a further seven properties with a value of USD135m which transfer post year-end. Grit's portfolio of assets and investments comprise completed buildings and brownfield developments for refurbishing existing buildings. Grit's current geographical footprint is Mauritius, Morocco, Mozambique, Zambia and Kenya. With the various acquisitions over the past year, the sectors that the Group's properties are classified in now includes retail, commercial, light industrial, corporate accommodation and hospitality.

Strategy

Grit's strategy remains focused on the acquisition of assets that provide a sustainable income from high quality tenants, with predominantly USD and EURO-denominated long-term leases, across the African continent, excluding South Africa, while maintaining an accretive distribution over the long-term.

Management's immediate focus is on growing the net asset value of the business, bedding down pipeline acquisitions and increasing liquidity in the Company. As the Company has reached a level of critical mass following its most recent corporate activity, the board and management anticipates less frequent capital raises to fund growth going forward.

Capital structure

During the financial year in total 108,453,131 shares were issued through various capital raises, the main one being the successful rights offer which resulted in 86,582,539 shares being issued. The total capital raised during the year was USD156m.

As at 30 June 2017 Grit's issued share capital comprised:

Shares is issue at 30 June 2016	**100,061,130**
Other issues	**21,870,592**
June 2017 Rights offer	**86,582,539**
Total issued shares at 30 June 2017	**208,514,261**

Review of activities

The results of the Group and the Company are commented on in the Chairman's, CEO's and the CFO's reports on pages 24 to 49 and are set out in the Annual Financial Statements on pages 86 to 149.

Distributions

The following distributions were declared during the 2017 financial period:

- Distribution number 5 of USD6.12cps for the six months ended December 2016.
- Distribution number 6 of USD4.57cps for the four months ended April 2017. This was a clean-out dividend prior to the rights issue in June 2017.
- Distribution no 7 of USD1.38cps for the two months ended June 2017.
- The full year distribution will amount to USD12.07cps.

Directors and board changes

Bronwyn Corbett	Chief Executive Officer
Leon van de Moortele	Chief Financial Officer
Sandile Nomvete	Non-executive Chairperson
Peter Todd	Lead independent non-executive director
Jacqueline van Niekerk	Non-executive director
Ian Macleod	Independent non-executive director
Chandra Gujadhur	Independent non-executive director
Faith Matshepo More	Non-executive director – appointed 7 February 2017
Maheshwar Doorgakant	Permanent Alternate to Chandra Gujadhur
David Savage	Not re-appointed at AGM on 29 Nov 2016
Ashish Thakkar	Resigned 26 November 2016
*Nomzamo Radebe	To be appointed at AGM as non-executive director
*Catherine McIlraith	To be appointed at AGM as independent non-executive director

*see page 28 for short resume

Directors interests in Grit shares

The interest of the directors in the shares of the Company at the financial year-end was as follows:

Director	Direct beneficial holding	Indirect beneficial holding	Total number of shares held as at 30 June 2017	Total number of shares held as at 30 June 2016
SH Nomvete	**–**	**7 020 241**	**7 020 241**	**4 070 043**
BA Corbett	**552 097**	**7 742 619**	**8 294 716**	**4 138 539**
LP van de Moortele	**–**	**422 061**	**422 061**	**422 061**
JR van Niekerk	**–**	**14 548**	**14 548**	**13 836**
Total	**552 097**	**15 199 469**	**15 751 566**	**8 644 479**

There have been no changes to the number of shares held by the directors, both directly and indirectly, from the financial year-end date to the date of approval of the Annual Financial Statements.

Executive directors' service contracts

The executive directors have service contracts with the Company.

A three-month notice period is required for the executive directors.

Post-balance sheet events

Event 1

Grit facilitated a transformation ("BEE") structure between Drive in Trading (Pty) Ltd ("DIT") as BEE partner, the Public Investment Corporation SOC Limited ("PIC") on behalf of the Government Employees Pension Fund ("GEPF") as guarantor and Grit as Co Guarantor to enable Drive in Trading to obtain long-term financing for the shares in Grit acquired as part of the Rights Issue undertaken in June 2017 (the "Transaction").

As Grit's contribution to the Transaction, the Company entered into a put option agreement with the GEPF, where by in an event of default the GEPF has the option to assign 50% of all amounts due on the loan up to a maximum amount of USD17.5m. The obligation of USD 17.5m is dependent on shareholders approving the Transaction. Grit's obligation in terms of the put option agreement will be limited to USD12.5m to the extent that shareholders do not approve the Transaction.

Grit is committed to supporting the underlying economies of its operations and to being a responsible corporate citizen of these economies in Africa. As a large portion of Grit's shareholders are based in South Africa, and Grit is listed on the main board of the JSE, it is imperative that the Company abides by the principles of transformation in South Africa. The implementation of the Transaction will encourage South African banks and investors to continue to support future capital raises, enabling Grit to grow the Company's investment base, enhance liquidity and ultimately create value for all shareholders.

Full details of the proposed transaction will be communicated via a circular.

Event 2

The 13 560m^2 Imperial Health Sciences logistics warehouse located in Nairobi, Kenya was registered on the 16th of August 2017. The total purchase price is USD19.87m. During the financial year under review the Group paid the deposit and transfer fees. The balance of the purchase consideration was settled in September 2017.

Event 3

The VDE Compound in Tete, Mozambique, consisting of 83 villas and 40 apartments with a purchase price of USD33.1m are expected to physically transfer in the last quarter of 2017 once the subdivision of the property is completed. The risks and rewards of ownership have already passed to the Group on 1 December 2015

Event 4

The acquisition of a 44.4% interest in an entity owning three Beachcomber hotel assets in Mauritius namely Victoria Resort and Spa, Canonnier Resort and Spa and Mauricia Resort and Spa for a total consideration of EUR50.0m. The initial financial commitments of EUR21.5m were made in December 2016 and further deposits of EUR20m was paid in June 2017. Regulatory approval has now been obtained and transfer of the shares has taken place in September 2017 after the final EUR5.0m have been settled.

Company secretary

Grit's Company Secretary is Intercontinental Fund Services Limited.

Auditors

It will be proposed at the next Annual General Meeting that BDO continues in office in accordance with the Companies Act.

Going concern

The directors are of the opinion that the Group and Company have 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 and Company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Grit Real Estate Income Group Limited

This report is made solely to the members of Grit Real Estate Income Group Limited (the "Company"), as a body, in accordance with Section 205 of the Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on the audit of the financial statements

Opinion

We have audited the Consolidated Financial Statements of Grit Real Estate Income Group Limited and its subsidiaries (the "Group"), and the Company's Separate Financial Statements on pages 86 to 145 which comprise the Statements of Financial Position as at June 30, 2017, and the Statements of Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements on pages 86 to 145 give a true and fair view of the financial position of the Group and of the Company as at 30 June 2017, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group and of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Mauritius, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. The Group - Investment Properties

Key Audit Matter

As at 30 June 2017, the Group had investment properties amounting to US$ 351.8M. The significance of investment properties on the statement of financial position resulted in them being identified as a key audit matter. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are carried at fair value as determined by independent qualified valuers and by the directors. The valuations are mainly based on discounted cash flow (DCF) model.

Related disclosures

Refer to note 3 of the accompanying financial statements.

Audit response

The following tests were performed:

- Tested the key inputs to the valuation of the Group's investment properties through the following:
  - We assessed the competence, independence and integrity of the external valuers.
  - Obtained the external valuation reports and directors' valuation workings and discussed with the external valuers and directors about the results of their work on a sample of properties. We discussed and challenged the valuation process, performance of the portfolio, significant judgements and assumptions applied to the valuation model, including yields, occupancy rates and capitalisation rates .
  - We have checked reasonableness of rental income used in the DCF by reviewing a sample of the main tenant agreements to ensure that the escalation in rental income is in line with the agreements. We have also assessed reasonableness of expenses deducted in the discounted cash flow workings.

2. The Group - Revenue Recognition

Key Audit Matter
The Group's revenue is mainly from rental income and recoveries. Rental income and recoveries are recognised on an accrual basis in accordance with the substance of the relevant agreements with its tenants. We focused on this area due to its significance on the statement of comprehensive income and risk attached to the timing of recognition of revenue.

Related disclosures
Refer to note 20 of the accompanying financial statements.

Audit response
Our audit procedures to address the risk of material misstatement relating to revenue recognition include:

- Ensuring completeness of income through substantive tests performed, analytical review procedures and cut off tests on the revenue recognised.
- Discussed and obtained explanation from management on major variations noted.
- Verified computation of straight-line rental income.

3. The Company - Investments in subsidiaries and loans receivable from related parties

Key Audit Matter
At 30 June 2017, investments in subsidiaries and loans receivable from related companies amounted to US$ 329 million. Investments in subsidiaries are carried at fair value through profit or loss. Fair value is determined by reference to the underlying fair value of the subsidiaries' net assets. Loans receivable from related parties are carried at amortised cost. The amounts are significant to the Company's financial statements and thus considered as key audit matter.

Related disclosures
Refer to notes 7 and 9 of the accompanying financial statements.

Audit response

- We have verified the computation of the fair value adjustment accounted for investment in subsidiaries. We have reviewed the net assets' values of each subsidiary and discussed the fair value with management.
- We have assessed and discussed with management on the recoverability of the balances based on management's knowledge of future conditions that may impact expected receipts.
- Discussed, evaluated and concluded with management that possible cash streaming will be available from the related companies to repay these debts.
- We have verified the amortised cost workings as applicable.

Other information

Directors are responsible for the other information. The other information comprises of the following reports (but does not include the financial statements and our auditor's report thereon):

- Highlights
- Portfolio summary
- Grit at a glance
- Stakeholder engagement
- Timeline
- Corporate structure
- Property portfolio
- Chairman's statement
- Report from the CEO
- Report from the CFO
- Members of the Board
- Executive management team
- Corporate governance report
- Corporate social responsibility initiatives
- Remuneration and Nomination committee report
- Risk committee report
- Directors' responsibilities and compliance
- Statement of compliance
- Directors' report
- Shareholders' analysis
- Shareholders' diary
- Corporate information and advisors

INDEPENDENT AUDITOR'S REPORT continued

To the shareholders of Grit Real Estate Income Group Limited

Other information (continued)

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of directors and those charged with governance for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Companies Act 2001, and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group and the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by directors.
- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Companies Act 2001

We have no relationship with, or interests in, the Company or any of its subsidiaries, other than in our capacity as auditors and dealings in the ordinary course of business.

We have obtained all information and explanations we have required.

In our opinion, proper accounting records have been kept by the Company as far as it appears from our examination of those records.

Financial Reporting Act 2004

The directors are responsible for preparing the corporate governance report. Our responsibility is to report the extent of compliance with the Code of Corporate Governance as disclosed in the annual report and on whether the disclosure is consistent with the requirements of the Code.

In our opinion, the disclosure in the annual report is consistent with the requirements of the Code.

BDO & CO
Chartered Accountant

Rookaya Ghanty, FCCA
Licensed by FRC

Port Louis
Mauritius

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	GROUP As at 30 June 2017 $	GROUP As at 30 June 2016 $	COMPANY As at 30 June 2017 $	COMPANY As at 30 June 2016 $
ASSETS					
Non-current assets					
Investment property	3	**351 822 336**	248 545 665	**–**	–
Investments in associates	8	**89 049 264**	45 945 339	**–**	–
Property, plant and equipment	5	**1 932 521**	803 240	**824 918**	–
Intangible assets	6	**5 692 190**	5 699 199	**5 100 000**	5 100 000
Investments in subsidiaries	7	**–**	–	**61 645 566**	42 275 095
Related party loans	9	**12 722 604**	978 277	**267 391 158**	157 337 526
Loans receivable	10	**66 740 037**	–	**–**	–
Deferred tax	11	**6 174 482**	5 984 142	**–**	–
Total non-current assets		**534 133 434**	307 955 862	**334 961 642**	204 712 621
Current assets					
Current tax receivable		**438 831**	–	**1 081**	–
Trade and other receivables	12	**25 916 520**	18 101 466	**2 706 014**	644 581
Cash and cash equivalents	13	**24 666 676**	17 771 821	**20 743 598**	46 947
Total current assets		**51 022 027**	35 873 287	**23 450 693**	691 528
Total assets		**585 155 461**	343 829 149	**358 412 335**	205 404 149
Equity and liabilities					
Total equity attributable to equity holders					
Share capital	14	**319 978 513**	171 995 297	**319 978 513**	171 995 297
Foreign currency translation reserve		**1 063 721**	(1 898)	**52 865**	52 865
Antecedent dividend reserve	14	**1 260 656**	635 547	**1 260 656**	635 547
Retained (loss)/income		**(7 578 171)**	(9 256 498)	**12 566 591**	11 234 948
Total equity attributable to equity holders		**314 724 719**	163 372 448	**333 858 625**	183 918 657
LIABILITIES					
Non-current liabilities					
Preference shares	16	**12 840 000**	–	**–**	–
Interest-bearing borrowings	15	**187 447 310**	127 070 183	**527 603**	–
Secured finance leases	17	**171 247**	–	**–**	–
Deferred tax	11	**898 773**	835 646	**–**	–
Total non-current liabilities		**201 357 330**	127 905 829	**527 603**	–
Current liabilities					
Interest-bearing borrowings	15	**47 959 452**	34 548 386	**19 312 024**	20 000 000
Secured finance leases	17	**44 566**	–	**–**	–
Trade and other payables	18	**19 201 998**	15 029 156	**4 714 083**	1 485 492
Related party loans	9	**1 365 000**	1 365 000	**–**	–
Withholding tax payable		**45 460**	33 180	**–**	–
Current tax payable		**–**	1 020 938	**–**	–
Financial instruments	19	**18 724**	554 212	**–**	–
Cash and cash equivalents	13	**438 212**	–	**–**	–
Total current liabilities		**69 073 412**	52 550 872	**24 026 107**	21 485 492
Total liabilities		**270 430 742**	180 456 701	**24 553 710**	21 485 492
Total equity and liabilities		**585 155 461**	343 829 149	**358 412 335**	205 404 149
Net asset value per share (cents)		**150.94**	163.27	**160.11**	183.81
Net asset value per share (excluding deferred taxation) (cents)		**148.41**	158.13	**160.11**	183.81

The notes on pages 90 to 145 form an integral part of these financial statements.
Please refer to the auditor's report found on pages 82 to 85.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2017

	Notes	GROUP Year ended 30 June 2017 $	GROUP Year ended 30 June 2016 $	COMPANY Year ended 30 June 2017 $	COMPANY Year ended 30 June 2016 $
Gross rental income	20	**24 329 570**	20 878 458	**–**	–
Straight-line rental income accrual	4	**1 132 143**	2 217 399	**–**	–
Revenue		**25 461 713**	23 095 857	**–**	–
Share of profits from associates	8	**7 621 227**	3 219 866	**–**	–
Property operating expenses		**(7 170 116)**	(5 769 024)	**–**	–
Net property income		**25 912 824**	20 546 699	**–**	–
Other income		**3 274 668**	2 933 782	**580 203**	–
Administrative expenses		**(5 601 436)**	(3 856 608)	**(2 437 817)**	(1 269 262)
Profit/(loss) from operations	21	**23 586 056**	19 623 873	**(1 857 614)**	(1 269 262)
Acquisition fees and set-up costs		**(1 166 356)**	(1 838 800)	**(635 757)**	(104 824)
Fair value adjustment on investment properties	3	**2 936 120**	(3 759 543)	**–**	–
Fair value adjustment on financial instruments		**103 624**	(99 198)	**–**	–
Fair value adjustment on investment in subsidiary	7	**–**	–	**19 370 471**	15 220 739
Gain from bargain purchase	31	**957 837**	250 515	**–**	–
Foreign currency gains/(losses)		**778 640**	2 763 774	**(1 085 924)**	3 384
Profit before interest and taxation		**27 195 921**	16 940 621	**15 791 176**	13 850 037
Interest income	23	**1 993 516**	170 158	**3 377 710**	3 692 424
Finance costs	24	**(10 970 561)**	(9 698 267)	**(1 751 117)**	(1 261 254)
Profit for the period before tax		**18 218 876**	7 412 512	**17 417 769**	16 281 207
Current tax expense	25	**(32 326)**	(1 493 959)	**(32 768)**	–
Deferred tax expense	25	**(454 865)**	(3 944 764)	**–**	–
Profit for the period after tax		**17 731 685**	1 973 789	**17 385 001**	16 281 207
Other comprehensive income					
Profit on translation of functional currency		**1 065 619**	783 491	**–**	–
Total comprehensive income		**18 797 304**	2 757 280	**17 385 001**	16 281 207
Basic earnings per share (cents)*	26	**16.06**	2.42	**15.74**	19.92

** The Company does not have any dilutionary instruments in issue.*

The notes on pages 90 to 145 form an integral part of these financial statements.
Please refer to the auditor's report found on pages 82 to 85.

Annual Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2017

	Notes	Share capital $	Foreign currency translation reserve $	Antecedent dividend reserve $	Retained earnings/ (Revenue deficit) $	Total equity holders $
GROUP						
Balance as at 1 July 2015		127 958 794	(785 389)	–	(2 760 583)	124 412 822
Profit for the year		–	–	–	1 973 789	1 973 789
Dividends paid	30	–	–	–	(8 469 704)	(8 469 704)
Other comprehensive income		–	783 491	–	–	783 491
Shares issued	14	44 830 305	–	–	–	44 830 305
Share issue expenses	14	(158 255)	–	–	–	(158 255)
Transfer from share issues	14	(635 547)	–	635 547	–	–
Balance as at 30 June 2016		171 995 297	(1 898)	635 547	(9 256 498)	163 372 448
Profit for the year		**–**	**–**	**–**	**17 731 685**	**17 731 685**
Dividends paid	30	**–**	**–**	**(635 547)**	**(11 892 609)**	**(12 528 156)**
Other comprehensive income		**–**	**1 065 619**	**–**	**–**	**1 065 619**
Shares issued	14	**155 534 757**	**–**	**–**	**–**	**155 534 757**
Share issue expenses	14	**(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)**
Balance as at 30 June 2017		**319 978 513**	**1 063 721**	**1 260 656**	**(7 578 171)**	**314 724 719**
COMPANY						
Balance as at 1 July 2015		127 958 794	52 865	–	3 423 445	131 435 104
Profit for the year		–	–	–	16 281 207	16 281 207
Dividends paid	30	–	–	–	(8 469 704)	(8 469 704)
Shares issued	14	44 830 305	–	–	–	44 830 305
Share issue expenses	30	(158 255)	–	–	–	(158 255)
Transfer from share issues	14	(635 547)	–	635 547	–	–
Balance as at 30 June 2016		171 995 297	52 865	635 547	11 234 948	183 918 657
Profit for the year		**–**	**–**	**–**	**17 385 001**	**17 385 001**
Dividends paid	30	**–**	**–**	**(635 547)**	**(11 892 609)**	**(12 528 156)**
Shares issued	14	**155 534 757**	**–**	**–**	**–**	**155 534 757**
Share issue expenses	14	**(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)**
Balance as at 30 June 2017		**319 978 513**	**52 865**	**1 260 656**	**12 566 591**	**333 858 625**

The notes on pages 90 to 145 form an integral part of these financial statements.
Please refer to the auditor's report found on pages 82 to 85.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2017

	Notes	GROUP Year ended 30 June 2017 $	GROUP Year ended 30 June 2016 $	COMPANY Year ended 30 June 2017 $	COMPANY Year ended 30 June 2016 $
Cash generated from/(utilised in) operations	27	**15 355 278**	19 286 276	**(1 659 793)**	(1 719 031)
Interest received	23	**1 993 516**	170 158	**3 377 710**	3 692 424
Finance costs	29	**(9 685 296)**	(9 241 646)	**(1 829 656)**	(1 182 716)
Taxation paid	28	**(1 479 815)**	(589 490)	**(33 849)**	–
Dividends paid	30	**(17 649 138)**	(8 469 704)	**(17 649 138)**	(8 469 704)
Net cash (utilised in)/generated from operating activities		**(11 465 455)**	1 155 594	**(17 794 726)**	(7 679 026)
Acquisition of investment property		**(82 561 907)**	(31 490 817)	**–**	–
VAT on acquisition of investment property		**(4 553 568)**			
Acquisition of property, plant and equipment		**(1 011 886)**	(798 114)	**(853 282)**	–
Acquisition of intangible assets	6	**(10 374)**	(593 172)	**–**	–
Net cash outflow on acquisition of subsidiaries and associates	31	**(24 118 753)**	(31 419 780)	**–**	–
Dividends received from associates	8	**3 573 077**	1 786 552	**–**	–
Loans (advanced to)/raised from subsidiaries and related parties		**(68 533 142)**	398 501	**(88 603 665)**	(54 475 532)
Net cash utilised in investing activities		**(177 216 553)**	(62 116 830)	**(89 456 947)**	(54 475 532)
Proceeds from the issue of shares	14	**133 439 348**	40 695 047	**133 439 348**	40 695 046
Share issue expenses	14	**(5 330 652)**	(158 256)	**(5 330 652)**	(158 255)
Proceeds from the issue of preference shares		**12 840 000**	–	**–**	–
Proceeds from interest-bearing borrowings and finance leases		**168 983 007**	142 152 774	**63 383 019**	24 400 000
Settlement of interest-bearing borrowings and finance leases		**(114 793 052)**	(110 179 398)	**(63 543 391)**	(4 400 000)
Net cash generated from financing activities		**195 138 651**	72 510 166	**127 948 324**	60 536 791
Net movement in cash and cash equivalents		**6 456 643**	11 548 930	**20 696 651**	(1 617 767)
Cash at the beginning of the year		**17 771 821**	6 222 891	**46 947**	1 664 714
Total cash at the end of the year	13	**24 228 464**	17 771 821	**20 743 598**	46 947

The notes on pages 90 to 145 form an integral part of these financial statements.
Please refer to the auditor's report found on pages 82 to 85.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

For the year ended 30 June 2017

1. Accounting policies

1.1 Statement of compliance

The financial statements include the consolidated financial statements of the parent company and its subsidiaries ("the Group") and the separate financial statements of the parent company ("the Company").

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE and SEM Listings Requirements, the requirements of the Mauritian Companies Act 2001, the Companies Regulations 2011 and incorporate the principal accounting policies set out below.

The accounting policies have been applied consistently to all periods presented except for the adoption of new accounting standards as set out below.

1.2 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board that makes strategic decisions.

1.3 Basis of preparation

The financial statements are presented in USD ($), which is the functional and presentational currency of the Group. They are prepared using the historical cost basis except for investment property and financial instruments at fair value through profit or loss, which are stated at fair value.

Fair value adjustments do not affect the determination of distributable earnings but have an effect on the net asset value per share presented on the statement of financial position to the extent that such adjustments are made to the carrying values of assets and liabilities.

Critical judgements and estimates :

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The estimates and assumptions relating to the fair value of investment properties have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The principal areas where such judgements and estimates have been made are:

Going concern

The financial statements have been prepared on a going concern basis.

Property acquisitions

Where properties are acquired through the acquisition of corporate interests, the Directors have regard to the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a business.

Where such acquisitions are not judged to be an acquisition of a business the transactions are accounted for as if the Group had acquired the underlying property directly. Accordingly, no goodwill arises, rather the cost of the corporate entity is allocated between the identifiable assets and liabilities of the entity based on their relative fair values at the acquisition date.

Otherwise corporate acquisitions are accounted for as business combinations.

Trade receivables and loans and receivables

The Group assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the Group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The fair value of investment property is determined using a combination of the discounted cash flows method and the income capitalisation valuation method, using assumptions that are based on market conditions existing at the period-end date.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The Group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are Grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each Group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including pre-tax discount rate that reflects current market assessments of time value of money, together with economic factors such as exchange rates, country specific inflation and interest rates.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many Transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

For the purpose of measuring deferred tax liabilities or assets arising from investment property carried at fair value, the directors have determined that the carrying amounts of the investment properties will be realised through the sale of the structure holding the properties. As a result, no deferred tax has been recognised on changes in fair value of investment properties due to the fact that the sale of shares is not subject to capital gains tax in Mauritius.

1.4 Consolidation

Basis of consolidation

The consolidated Group Annual Financial Statements incorporate the Group Annual Financial Statements of the Company and all entities, including special purpose entities, which are controlled by the Group.

The Group has control of an investee when it has power over the investee; it is exposed to or has rights to variable returns from involvement with the investee; and it has the ability to use its power over the investee to affect the amount of the investor's returns.

The results of subsidiaries are included in the consolidated Group Annual Financial Statements from the effective date of acquisition to the effective date of disposal.

Adjustments are made when necessary to the financial statements of subsidiaries to bring their accounting policies in line with those of the Group.

All intra-Group transactions, balances, income and expenses are eliminated in full on consolidation.

The difference between the fair value of consideration paid or received and the movement in non-controlling interest for such Transactions is recognised in equity attributable to the owners of the parent.

Business combinations

The Group accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued. Costs directly attributable to the business combination are expensed as incurred, except the costs to issue debt which are amortised as part of the effective interest rate and costs to issue equity which are included in equity.

Contingent consideration is included in the cost of the combination at fair value as at the date of acquisition. Subsequent changes to the assets, liability or equity which arise as a result of the contingent consideration are not affected against goodwill, unless they are valid measurement period adjustments. This will be recognised through profit and loss.

The acquirer's identifiable assets, liabilities and contingent liabilities which meet the recognition conditions of IFRS 3 Business combinations are recognised at their fair values at acquisition date, except for non-current assets (or disposal Group) that are classified as held-for-sale in accordance with IFRS 5 Non-current assets held-for-sale and discontinued operations, which are recognised at fair value less costs to sell.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2017

1. Accounting policies (continued)

1.4 Consolidation (continued)

Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at acquisition date.

On acquisition, the Group assesses the classification of the acquiree's assets and liabilities and reclassifies them where the classification is inappropriate for Group purposes. This excludes lease agreements and insurance contracts, whose classification remains as per their inception date.

Investment in subsidiaries

Group Annual Financial Statements

The Group Annual Financial Statements include those of the holding company and its subsidiaries. The results of the subsidiary are included from the date control of the subsidiary is obtained (i.e. effective date of acquisition) until the date that control of the subsidiary is lost (i.e. disposal date). All intercompany transactions and balances are eliminated on consolidation.

Company Annual Financial Statements

In the Company's separate Annual Financial Statements, investment in subsidiaries are carried at fair value through profit and loss less any accumulated impairment.

Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss. Fair values are determined by reference to the underlying fair value of the subsidiaries' net assets.

1.5 Intangible assets

An intangible asset is recognised when:

– it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and

– the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Average useful life
Computer software	4
Right of use of land	15

Right of use of land

Land held under an operating lease is accounted for as operating leases. Upfront payments for operating leases are capitalised as non-current assets and carried at cost less accumulated depreciation. These non-current assets are not revalued. Depreciation is calculated on a straight-line basis over the lease periods.

Management agreement

The Group recognises management agreements as intangible assets on the basis of future cost savings to the Group. The asset is tested annually for impairment.

1.6 Currency translation reserve

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at the rates at the dates of the transaction or at an average rate for the period where this is a reasonable approximation.

The functional and presentation currency of Grit Real Estate Income Group Limited (previously Mara Delta Property Holdings Limited) was changed from Pounds Sterling to USD on the 16th of May 2014. The reason for the change in functional and presentation currency of the Company is largely due to the change in primary focus of the Group as the majority of its transactions within Africa are denominated in USD.

At the reporting date, the assets and liabilities of the entities that have a functional currency different from the presentation currency were translated into the presentation currency of the Company (USD) at the ruling exchange rate at reporting date and the statement of comprehensive income was translated at the average exchange rate for the period.

1.7 Investment property

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the investment property will flow to the Group, and the cost of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Investment properties are those which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at fair value. External, independent valuation companies, having professionally qualified values' and recent experience in the location and category of property being valued, value the portfolios on a bi-annual basis. Every other year a directors valuation is done. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and without compulsion.

The valuations are prepared by considering comparable market transactions for sales and letting and having regard for the current leases in place. In the case of lettings this includes considering the aggregate of the net annual market rents receivable from the properties and where relevant, associated costs. A yield which reflects the risks inherent in the net cash flows is applied to the net annual rentals to arrive at the property valuation.

Any gain or loss arising from a change in fair value is recognised in profit or loss.

Under the revised IAS 40 "Investment Property", property that is under construction or development for future use as investment property is within the scope of IAS 40. As the fair value model is applied, such property is measured at fair value. However, where the fair value of investment property under redevelopment is not reliably measurable, the property is measured at cost.

Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalisation of borrowing costs may continue until the assets are substantially ready for their intended use. If the resulting carrying amount of the assets exceeds its value, an impairment loss is recognised. The capitalisation rate is arrived at by reference to the actual rate payable on borrowings for development purposes or, with regard to that part of the development cost financed out of general funds, to the average rate.

1.8 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Costs include costs incurred to initially acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, or replace part of it.

Property, plant and equipment are depreciated on a straight-line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Leasehold improvements are depreciated over the shorter of the useful life of the asset or the lease term.

Item	Average useful life
Leasehold improvements	3
Furniture and fittings	6
Computer equipment	3
Office Equipment	8
Office buildings	20
Plant and machinery	4
Motor vehicles	5

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period.

If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The depreciation charge for each period is recognised in profit and loss.

Where the carrying amount of an asset is greater than its recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposals of property, plant and equipment are determined by comparing proceeds with carrying amount and are included in profit or loss.

1. Accounting policies (continued)

1.9 Financial instruments – Recognition, classification and measurement

Classification

The Group classifies financial assets and financial liabilities into the following categories:

- financial assets at fair value through profit or loss – designated;
- loans and receivables;
- financial liabilities measured at amortised cost.

Classification depends on the purpose for which the financial instruments were obtained and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

Initial recognition and measurement

Financial instruments are recognised initially when the Group becomes a party to the contractual provisions of the instruments.

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through profit or loss are recognised in profit or loss.

Subsequent measurement

Financial instruments at fair value through profit or loss are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in profit or loss for the period.

Net gains or losses on the financial instruments at fair value through profit or loss exclude dividends and interest.

Dividend income is recognised in profit or loss as part of other income when the Group's right to receive payment is established.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment of financial assets

At each reporting date the Group assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or Group of financial assets has been impaired.

For amounts due to the Group, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Non-derivative financial instruments

Non-derivative financial instruments comprise investment in equity securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not carried at fair value through profit or loss, any directly attributable transaction costs, except as described below.

A financial instrument is recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial assets to another party without retaining control or substantially all risks and rewards of ownership of the asset.

Investments at fair value through profit or loss

An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated as fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value.

Upon initial recognition, attributable Transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Loans to/(from) Group companies

These include loans to and from holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs and are subsequently measured at armortised cost.

Loans to Group companies are classified as loans and receivables.

Loans from Group companies are classified as financial liabilities measured at amortised cost.

Trade and other receivables

Trade receivables are measured on initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit t or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances on hand, cash deposited with financial institutions and other short-term liquid investments that are readily convertible to a known amount of cash. These are initially recorded at fair value and subsequently measured at amortised cost. Cash and cash equivalents are classified as loans and receivables.

Bank overdraft and borrowings

Bank overdraft and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Bank borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

Preference share capital

Preference shares, which are redeemable through a put option, are classified as liabilities. The dividend of these preference shares are recognised in profit or loss as finance costs.

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases – lessee

Finance leases are capitalised at the lease's inception at the lower of the fair value if the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss unless they are attributable to qualifying assets in which case, they are capitalised in accordance with the policy on borrowing costs.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2017

1. Accounting policies (continued)

1.10 Leases (continued)

Operating leases – lessor

Operating lease income is recognised as an income on a straight-line basis over the lease term. The difference between the amounts recognised as income and the contractual amounts received are recognised as an operating lease asset.

This asset is not discounted.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under revenue in profit or loss.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease liability. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

1.11 Income tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities/(assets) for the current and prior periods are measured at the amount expected to be paid to/(recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

For the purpose of measuring deferred tax liabilities or assets on investment properties that are measured using the fair value model, the carrying amount of such properties are presumed to be recovered through the sale of the structure through which the investment properties are held.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

1.12 Share capital

Ordinary share capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares are shown as a deduction in equity, net of tax, from the proceeds.

1.13 Revenue

Rental income from investment property leased out under operating leases is recognised in the statement of comprehensive income on a straight-line basis over the term of the leases. Lease incentives granted are recognised as an integral part of the total rental income and amortised over the term of the leases.

Contingent rental income is recognised as it arises. Premiums to terminate leases are recognised in the statement of comprehensive income as they arise.

Management has considered the potential transfer of risks and rewards of ownership for all properties leased to tenants and has determined that all such leases are to be classified as operating leases.

Interest earned on cash invested with financial institutions is recognised as it accrues using the effective interest method.

Dividends are recognised, in profit or loss, when the Group's right to receive payment has been established.

1.14 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

1.15 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred, and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.16 Translation of foreign currencies

Foreign currency Transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2017

1. Accounting policies (continued)

1.16 Translation of foreign currencies (continued)

Foreign operations

Items included in each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The results and financial position of all the Group entities that have a functional currency different from that of the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate;
- income and expenses are translated at average exchange rates; and
- all resulting exchange differences are recognised in other comprehensive income as a separate component of equity until such foreign entity is disposed of at which time such translation difference is recognised in profit or loss .

1.17 Earnings per share and headline earnings per share

Basic earnings per share is calculated by dividing the profit or loss by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders holders and the weighted average number of ordinary shares outstanding adjusted for the effects of all dilutive potential ordinary shares.

In calculating headline earnings per share, headline earnings exclude fair value adjustments for financial liabilities and accounting adjustments required to account for lease income on a straight-line basis, as well as other non-cash accounting adjustments that do not affect distributable earnings.

1.18 Dividend distribution

Dividend distribution to the shareholders is recognised as a liability in the financial statements in the period in which the dividend is declared.

1.19 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation on a result of past events and it is probable that an outflow of resources, that can be reliably estimated, will be required to settle the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

1.20 Fair value hedges

The Company's policy is to use derivative instruments (primarily interest rate swaps) to convert a proportion of its fixed rate debt to floating rates in order to hedge the interest rate risk arising, principally, from capital market borrowings.

The Company designates these as fair value hedges of interest rate risk with changes in fair value of the hedging instrument recognised in the profit and loss for the period together with the changes in the fair value of the hedged item due to the hedged risk, to the extent the hedge is effective. The ineffective portion is recognised immediately in the profit and loss account.

1.21 Investment in associated companies

An associate is an entity over which the Group has significant influence but not control, or joint control, generally accompanying a shareholding between 20% and 50% of the voting rights. Investments in associates are accounted for under the equity method.

The Group's investments in associates include goodwill (net of any accumulated impairment loss) identified on acquisition. They are initially recognised at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associates less any impairment in the value of individual investments.

Any excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets and liabilities recognised at the date of acquisition is recognised as goodwill which is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of identifiable assets and liabilities over the cost of acquisition, after assessment, is included as income in the determination of the Group's share of the associate's profit or loss.

When the Group's share of losses exceeds its interest in an associate, the Group discontinues recognising further losses, unless it has incurred legal or constructive obligation or made payments on behalf of the associate.

The results of associated companies acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date of their acquisition or up to the date of their disposal.

2. New Standards and Interpretations

2.1 Standards, Amendments to published Standards and Interpretations effective in the reporting period

Disclosure Initiative (Amendments to IAS 1)
The amendments to IAS 1 provide clarifications on a number of issues. An entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance. Line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals. Confirmation that the notes do not need to be presented in a particular order. The share of OCI arising from equity-accounted investments is Grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each Group should then be presented as a single line item in the statement of other comprehensive income.

The amendment had no impact on the Group's financial statements.

Equity method in separate financial statements (Amendments to IAS 27).
The amendments allow entities to use the equity method in their separate financial statements to measure investments in subsidiaries, joint ventures and associates. IAS 27 currently allows entities to measure their investments in subsidiaries, joint ventures and associates either at cost or at fair value in their separate FS. The amendments introduce the equity method as a third option. The election can be made independently for each category of investment (subsidiaries, joint ventures and associates). Entities wishing to change to the equity method must do so retrospectively. The amendment has no impact on the Group's financial statements.

IFRS 14 Regulatory Deferral Accounts
IFRS 14 Regulatory Deferral Accounts provides relief for first-adopters of IFRS in relation to accounting for certain balances that arise from rate-regulated activities ('regulatory deferral accounts'). IFRS 14 permits these entities to apply their previous accounting policies for the recognition, measurement, impairment and derecognition of regulatory deferral accounts. The standard is not expected to have any impact on the Group's financial statements.

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)
The amendments clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. Existing interests in the joint operation are not remeasured on acquisition of an additional interest, provided joint control is maintained. The amendments also apply when a joint operation is formed and an existing business is contributed. The amendment has no impact on the Group's financial statements.

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)
The amendments clarify that a revenue-based method of depreciation or amortisation is generally not appropriate. Amendments clarify that a revenue-based method should not be used to calculate the depreciation of items of property, plant and equipment. IAS 38 now includes a rebuttable presumption that the amortisation of intangible assets based on revenue is inappropriate. This presumption can be overcome under specific conditions. The amendment has no impact on the Group's financial statements.

Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)
The amendments define a bearer plant and include bearer plants within the scope of IAS 16 and clarify that an entity is required to apply the principles of this standard to items of property, plant and equipment used to develop or maintain biological assets and mineral rights and mineral reserves such as oil, natural gas and similar non-regenerative resources. Bearer plants must be accounted for as property plant and equipment and measured either at cost or revalued amounts, less accumulated depreciation and impairment losses.

Investment entities: Applying the consolidation exception (Amendments to IFRS 10, IFRS 12 and IAS 28)
The amendments clarify that the exception from preparing consolidated financial statements is also available to intermediate parent entities which are subsidiaries of investment entities. An investment entity should consolidate a subsidiary which is not an investment entity and whose main purpose and activity is to provide services in support of the investment entity's investment activities. Entities which are not investment entities but have an interest in an associate or joint venture which is an investment entity have a policy choice when applying the equity method of accounting. The fair value measurement applied by the investment entity associate or joint venture can either be retained, or a consolidation may be performed at the level of the associate or joint venture, which would then unwind the fair value measurement. The amendment has no impact on the Group's financial statements.

Annual Improvements to IFRSs 2012-2014 Cycle
IFRS 5 is amended to clarify that when an asset (or disposal Group) is reclassified from 'held for sale' to 'held for distribution' or vice versa, this does not constitute a change to a plan of sale or distribution and does not have to be accounted for as such. The amendment has no impact on the Group's financial statements.

IFRS 7 amendment provides specific guidance for transferred financial assets to help management determine whether the terms of a servicing arrangement constitute 'continuing involvement' and, therefore, whether the asset qualifies for derecognition. The amendment has no impact on the Group's financial statements.

IFRS 7 is amended to clarify that the additional disclosures relating to the offsetting of financial assets and financial liabilities only need to be included in interim reports if required by IAS 34. The amendment had no impact on the Group's financial statements.

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For the year ended 30 June 2017

IAS 19 amendment clarifies that when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise. The amendment had no impact on the Group's financial statements.

IAS 34 amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report' and adds a requirement to cross-reference from the interim financial statements to the location of that information. The amendment had no impact on the Group's financial statements.

2.2 Standards, Amendments to published Standards and Interpretations issued but not yet effective

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after 1 January 2017 or later periods, but which the Group has not early adopted.

At the reporting date of these financial statements, the following were in issue but not yet effective:

IFRS 9 Financial Instruments

IFRS 15 Revenue from Contract with Customers

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

IFRS 16 Leases

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)

Amendments to IAS 7 Statement of Cash Flows

Clarifications to IFRS 15 Revenue from Contracts with Customers

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)

Annual Improvements to IFRSs 2014-2016 Cycle

IFRIC 22 Foreign Currency Transactions and Advance Consideration

Transfers of Investment Property (Amendments to IAS 40)

IFRS 17 Insurance Contracts

IFRIC 23 Uncertainty over Income Tax Treatments

Where relevant, the Group is still evaluating the effect of these Standards, amendments to published Standards issued but not yet effective, on the presentation of its financial statements.

	Notes	GROUP As at 30 June 2017 $	GROUP As at 30 June 2016 $	COMPANY As at 30 June 2017 $	COMPANY As at 30 June 2016 $

3. Investment property

	Notes	GROUP As at 30 June 2017 $	GROUP As at 30 June 2016 $	COMPANY As at 30 June 2017 $	COMPANY As at 30 June 2016 $
Net carrying value					
Cost		**317 673 841**	234 285 056	**–**	–
Deposits paid on property		**24 439 623**	8 620 000	**–**	–
Fair value surplus		**3 737 035**	800 915	**–**	–
		345 850 499	243 705 971	**–**	–
Movement for the year					
Investment property at the beginning of the year		**243 705 971**	207 768 336	**–**	–
Acquisitions of investment properties		**40 000 000**	21 897 958	**–**	–
Acquired through business combination	31	**24 220 000**	8 663 000	**–**	–
Transaction costs capitalised		**3 345 974**	972 859	**–**	–
Movement in deposits made on property		**15 819 622**	8 620 000	**–**	–
Capital expenditure		**14 513 311**	–	**–**	–
Foreign currency translation difference		**1 309 500**	(456 639)	**–**	
Fair value adjustments		**2 936 120**	(3 759 543)	**–**	–
As at 30 June		**345 850 499**	243 705 971	**–**	–
Reconciliation to valuations					
Investment property carrying amount		**345 850 499**	243 705 971	**–**	–
Straight-line rental income accrual		**5 971 837**	4 839 694	**–**	–
		351 822 336	248 545 665	**–**	–

Investment property pledged as security

The investment property has been pledged as security for interest-bearing borrowings (refer to note 15) as follows:

- Mozambican Investment property with a market value of $121.24 million (2016: $116.95 million) is mortgaged to Standard Bank of Mozambique to secure debt facilities amounting to $10.45 million (2016: $10.45 million), Standard Bank of South Africa to secure debt facilities amounting to $38.00 million (2016: $38.00 million) and Banco Unico of Mozambique to secure debt facilities amounting to $3.02 million (2016: $2.88 million) and Bank of China to secure debt facilities over Mall de Tete of $13.3 million (2016: 0).
- Moroccan Investment property with a market value of $102.36 million (2016: $100.62 million) is mortgaged to Investec South Africa to secure debt facilities amounting to $50.15 million (2016: $51.72 million).
- Mauritian Investment property with a market value of $13.83 million (2016: $14.25 million) is mortgaged to Barclays Bank of Mauritius to secure debt facilities amounting to $7.40 million (2016: $7.90 million).

Valuation policy

In terms of the accounting policy, investment properties are valued annually. Independent valuations are performed every second year by reputable valuation experts who have sufficient expertise in the jurisdictions where the properties are located. Directors value the property on a discounted cash flow basis in the intervening period. All valuations are performed in the functional currency of the relevant company and converted to United States Dollars at the effective closing rate of exchange. The expected future income has been discounted at appropriate discount rates and added to the estimated revisionary value. The revisionary value has been computed by capitalising the net income prevailing at the end of the cash flow projections and discounted at appropriate discount rates.

In respect of the majority of the Mozambican and Kenyan portfolios, independent valuations were performed during the year by Jones Lang LaSalle Proprietary Limited, led by Roger Long (BSc MBA FRICS MIV(SA)), Professional Registered Valuer, member of the South African Council for the Property Valuers Profession, Chartered Valuation Surveyor and Associate of the Royal Institution of Chartered Surveyors, using the discounted cash flow method. Some Mozambican properties were valued by REC, part of the Meridian Group led by Nuno Tavares (MRICS) a partner and registered with the Royal Institution of Chartered Surveyors.

The Moroccan property portfolio was independently valued by CBRE Morocco, led by Michaelangelo Zasy (MRICS) in accordance with the RICS valuation – professional standards 2014, using the discounted cash flow method in the previous financial year. Due to the redevlopment on Anfa Place Shopping Center no independent valuation was done. The directors are of the opinion that the carrying amount of the property as at 30 June 2017 approximates its fair value.

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For the year ended 30 June 2017

3. Investment property (continued)

Valuation policy (continued)
The Zambian property portfolio was independently valued by Quadrant Properties, led by Peter Parfitt (Dip. Val. MIV(SA)), Professional Registered Valuer, member of the South African Council for the Property Valuers Profession, using the discounted cash flow method.

The Mauritian property portfolio was independently valued by CBRE Mauritius, led by Rhoy Ramlackhan (B.Sc Hons MRICS MMIS) in accordance with the RICS valuation – professional standards 2014, using the discounted cash flow method.

				2017 $	2016 $
Summary of valuations conducted during the year					
Anadarko building	25 Jul 17	REC	Mozambique	**42 570 000**	41 600 000
Hollard Building	31 Mar 17	JLL Valuations	Mozambique	**18 500 000**	18 600 000
Vodacom Building	31 Mar 17	JLL Valuations	Mozambique	**48 700 000**	45 700 000
Zimpeto Square	31 Mar 17	JLL Valuations	Mozambique	**11 470 000**	11 050 000
Bollore Warehouse	31 Mar 17	JLL Valuations	Mozambique	**6 500 000**	8 665 000
Barclays House	28 Apr 17	CBRE Valuations	Mauritius	**13 834 574**	14 254 422
Anfa Place Mall	31 Dec 15	JLL Valuations	Morocco	**102 356 002**	100 621 561
Tamassa Resort	12 Jun 17	CBRE Valuations	Mauritius	**43 814 209**	–
Mall de Tete	30 Nov 16	JLL Valuations	Mozambique	**24 220 000**	–
Total of investment properties				**311 964 783**	240 488 983
Buffalo Mall (50%)	31 Dec 15	JLL Valuations	Kenya	**6 025 000**	6 097 000
Mukuba Mall (50%)	28 Feb 17	Quadrant	Zambia	**36 091 617**	31 562 500
Kafubu Mall (50%)	28 Feb 17	Quadrant	Zambia	**12 152 797**	8 750 000
Cosmopolitan Mall (50%)	31 Mar 17	Quadrant	Zambia	**38 380 000**	–
Total of investment properties acquired through associates				**92 649 414**	46 409 500
Deposits paid on Imperial Distribution Center (2016: Cosmopolitan Mall)				**3 061 729**	3 000 000
Deposits paid on VDE Housing Compound				**21 377 894**	5 620 000
Capital expenditure on Anadarko Phase II				**10 067 078**	–
Capital expenditure on Anfa Place Shopping Center				**5 350 852**	–
Total portfolio				**444 471 749**	295 518 483

The valuations were performed using the discounted cash flow methodology. These methods are based on open market values with consideration given to the future earnings potential and applying an appropriate discount rate to the property and country. The Group's discount rate applied for valuations performed on the discounted cash flow method ranged between 9% and 13%. Other significant inputs factored into account in the valuations were vacancy rates based on current and expected future market conditions; terminal value taking into account rental, maintenance projections and vacancy expectations as well as additional bulk where applicable.

The directors' valuation at 30 June 2017 was based on discounted cash flow method with discount factors ranging from 11% to 13% and capitalised revisionary rate ranges from 8.25% to 10%.

The fair value adjustments on investment property are included in profit or loss. Refer to note 3.

Fair value hierarchy
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly Transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety. The three levels are explained as per note 37.

$	Level 1	Level 2	Level 3	Fair value
Investment property valuation				
30 June 2017	**–**	**–**	**351 822 336**	**351 822 336**
30 June 2016	–	–	248 545 665	248 545 665
30 June 2015	–	–	210 390 631	210 390 631

Please refer to page 12 in the integrated annual report for a detailed breakdown of the property portfolio.

	GROUP		COMPANY	
	As at 30 June 2017 $	As at 30 June 2016 $	As at 30 June 2017 $	As at 30 June 2016 $

4. Straight-line rental income accrual

	GROUP As at 30 June 2017 $	GROUP As at 30 June 2016 $	COMPANY As at 30 June 2017 $	COMPANY As at 30 June 2016 $
Movement for the year				
Balance at the beginning of the year	**4 839 694**	2 622 295	**–**	–
Movement for the year	**1 132 143**	2 217 399	**–**	–
As at 30 June	**5 971 837**	4 839 694	**–**	–

5. Property, plant and equipment

	GROUP As at 30 June 2017 $	GROUP As at 30 June 2016 $	COMPANY As at 30 June 2017 $	COMPANY As at 30 June 2016 $
Computer equipment	**149 125**	143 509	**–**	–
Cost	**207 242**	158 707	**–**	–
Accumulated depreciation	**(58 118)**	(15 198)	**–**	–
Furniture and fittings	**656 402**	303 199	**–**	–
Cost	**726 502**	331 092	**–**	–
Accumulated depreciation	**(70 100)**	(27 894)	**–**	–
Leasehold improvements	**–**	292 291	**–**	–
Cost	**850 898**	294 185	**850 898**	–
Transferred to Office Buildings	**(822 535)**	–	**(822 535)**	–
Accumulated depreciation	**(28 363)**	(1 894)	**(28 363)**	–
Office Buildings	**822 535**	–	**822 535**	–
Cost	**–**	–	**–**	–
Transferred from Leasehold improvements	**822 535**	–	**822 535**	–
Accumulated depreciation	**–**	–	**–**	–
Office equipment	**4 305**	1 423	**2 383**	–
Cost	**4 817**	1 447	**2 383**	–
Accumulated depreciation	**(512)**	(24)	**–**	–
Plant and machinery	**56 160**	62 818	**–**	–
Cost	**131 863**	123 015	**–**	–
Accumulated depreciation	**(75 703)**	(60 197)	**–**	–
Motor vehicles	**243 995**	–	**–**	–
Cost	**289 282**	–	**–**	–
Accumulated depreciation	**(45 287)**	–	**–**	–
Total property, plant and equipment	**1 932 521**	803 240	**824 918**	–

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2017

5. Property, plant and equipment (continued)

	GROUP		COMPANY	
	As at 30 June 2017 $	As at 30 June 2016 $	As at 30 June 2017 $	As at 30 June 2016 $
Movement for the year				
Balance at the beginning of the year	**803 240**	96 512	**–**	–
Acquisitions	**1 302 555**	798 114	**853 282**	–
Computer equipment	**48 535**	146 806	**–**	–
Furniture and fittings	**395 410**	268 959	**–**	–
Leasehold improvements	**557 111**	293 923	**850 898**	–
Office equipment	**3 369**	1 447	**2 384**	–
Plant and machinery	**8 848**	86 979	**–**	–
Motor vehicles	**289 282**	–	**–**	–
Transfers	**–**	–	**–**	–
Transfer from leasehold improvements	**822 535**	–	**822 535**	–
Transfer to office buildings	**(822 535)**	–	**(822 535)**	–
Depreciation	**(173 272)**	(91 386)	**(28 364)**	–
Computer equipment	**(42 919)**	(14 997)	**–**	–
Furniture and fittings	**(42 206)**	(14 551)	**–**	–
Leasehold improvements	**(26 867)**	(1 894)	**–**	–
Office buildings	**–**	–	**(28 364)**	–
Office equipment	**(487)**	(24)	**–**	–
Plant and machinery	**(15 506)**	(59 920)	**–**	–
Motor vehicles	**(45 287)**	–	**–**	–
As at 30 June	**1 932 523**	**803 240**	**824 918**	**–**

Motor vehicles with a cost of US$289 282 are held as security in terms of a finance lease from Axys leasing amounting to US$215 813.

The Office Building is the operating offices of the Group located on the 3rd Floor La Croisette Shopping Center, Grand Baie in Mauritius. It is held as security in terms of a first ranked mortgage bond in favour of Investec Bank (Mauritius) Limited amounting to US$700 000.

	GROUP		COMPANY	
	As at 30 June 2017 $	As at 30 June 2016 $	As at 30 June 2017 $	As at 30 June 2016 $

6. Intangible assets

	As at 30 June 2017 $	As at 30 June 2016 $	As at 30 June 2017 $	As at 30 June 2016 $
Computer software	**37 778**	35 881	**–**	–
Cost	**49 155**	38 781	**–**	–
Accumulated depreciation	**(11 377)**	(2 899)	**–**	–
Right of use of land	**554 412**	563 318	**–**	–
Cost	**563 318**	563 318	**–**	–
Foreign currency translation difference	**16 880**	–	**–**	–
Accumulated amortisation	**(25 786)**	–	**–**	–
Management agreement	**5 100 000**	5 100 000	**5 100 000**	5 100 000
Cost	**5 100 000**	5 100 000	**5 100 000**	5 100 000
Accumulated amortisation	**–**	–	**–**	–
Total intangible assets	**5 692 190**	5 699 199	**5 100 000**	5 100 000
Movement for the year				
Balance at the beginning of the year	**5 699 199**	8 774	**5 100 000**	–
Acquisitions	**10 374**	5 693 172	**–**	5 100 000
Computer software	**10 374**	29 854	**–**	–
Right of use of land	**–**	563 318	**–**	–
Management agreement	**–**	5 100 000	**–**	5 100 000
Foreign currency translation difference	**16 880**	–	**–**	–
Right of use of land	**16 880**	–	**–**	–
Amortisation	**(34 263)**	(2 747)	**–**	–
Right of use of land	**(25 786)**	–	**–**	–
Computer software	**(8 477)**	(2 747)	**–**	–
As at 30 June	**5 692 190**	5 699 199	**5 100 000**	5 100 000

During the previous period the Group acquired the Barclays building in Mauritius. As part of the acquisition, the right of use of the land was obtained. This will be amortised over 15 years.

The management agreement was bought from Freedom Asset Management Limited with a share issue of 3 million shares at the value of $1.70 a share. The Group recognised this as an Intangible asset as a result of the future cost savings to the Group. The asset was tested for impairment based on future cost savings over a period of 5 year discounted at 15%.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2017

7. Investments in subsidiaries

		GROUP		COMPANY	
		As at 30 June 2017 $	As at 30 June 2016 $	As at 30 June 2017 $	As at 30 June 2016 $
Name of company	**% held**				
Delta International Mauritius Limited	100.0%	**–**	–	**61 645 566**	42 275 095
		–	–	**61 645 566**	42 275 095
Movement for the year		**–**	–	**–**	–
Balance at the beginning of the year		**–**	–	**42 275 095**	27 054 356
Acquisitions		**–**	–	**–**	–
Fair value through profit and loss		**–**	–	**19 370 471**	15 220 739
As at 30 June		**–**	–	**61 645 566**	42 275 095

The fair value of the investment in subsidiaries is determined by the board of directors on the underlying fair value of the subsidiaries' net assets.

Details of the Group's subsidiaries at the end of the year are as follows:

Name of subsidiary	Stated capital ($)	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group 30 June 2017	30 June 2016
Delta International Mauritius Limited (Direct holding)	19 925 100	Investment holding and indirectly acquiring income producing property investments in Africa	Mauritius	**100%**	100%
Delta International Bahrain SPC (Indirect holding)	270 225	Investment holding and indirectly acquiring income producing property investments in Morocco	Bahrain	**100%**	100%
DIF 1 Co Limited (Indirect holding)	1	Investment holding and granting of intercompany loans for African assets	Mauritius	**100%**	100%
HM&K Properties Limited (Indirect holding)	29 965	Investment holding and indirectly acquiring income producing property investments in Mozambique	Mauritius	**100%**	100%
CD Properties Limited (Indirect holding)	6 900	Investment holding and indirectly acquiring income producing property investments in Mozambique	Mauritius	**100%**	100%
Gateway Properties Limitada (Indirect holding)	5 913	Mozambican operating entity whereby Bollore warehouse complex is owned	Mozambique	**100%**	100%
Zimpeto Investment Holdings Limited (Indirect holding)	1 000	Investment holding and indirectly acquiring income producing property investments in Mozambique	Mauritius	**100%**	100%
Zimpeto Imobiliaria Limitada (Indirect holding)	10 650 682	Mozambican operating entity whereby Zimpeto Square (Shopping center) is owned	Mozambique	**100%**	100%
Zambian Property Holdings Limited (Indirect holding)	100	Investment holding and indirectly acquiring income producing property investments in Zambia	Mauritius	**100%**	0%
Kitwe Mukuba Investments Limited (Indirect holding)	1 000	Investment holding and indirectly acquiring income producing property investments in Zambia	Mauritius	**100%**	100%
Lusaka Cosmopolitan Investments Limited (Indirect holding)	1 000	Investment holding and indirectly acquiring income producing property investments in Zambia	Mauritius	**100%**	0%

Name of subsidiary	Stated capital ($)	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group 30 June 2017	30 June 2016
Ndola Kafubu Investments Limited (Indirect holding)	1 000	Investment holding and indirectly acquiring income producing property investments in Zambia	Mauritius	**100%**	100%
BME Kenya Investments Limited (Indirect holding)	1 000	Investment holding and indirectly acquiring income producing property investments in Kenya	Mauritius	**100%**	100%
IWH Kenya Investments Limited (Indirect holding)	1 000	Investment holding and indirectly acquiring income producing property investments in Kenya	Mauritius	**100%**	0%
IDC Kenya Investments Limited (Indirect holding)	1 000	Investment holding and indirectly acquiring income producing property investments in Kenya	Mauritius	**100%**	0%
THM Kenya Investments Limited (Indirect holding)	1 000	Investment holding and indirectly acquiring income producing property investments in Kenya	Mauritius	**100%**	0%
Mara Viwandani Limited (Indirect holding)	1 000	Kenyan operating entity whereby the Imperial land is owned	Kenya	**100%**	0%
Warehousely Limited (Indirect holding)	1 000	Kenyan operating entity whereby the Imperial Distribution Center is owned	Kenya	**100%**	0%
BH Property Investments Limited (Indirect holding)	3	Mauritian operating entity whereby the Barclays Building is owned	Mauritius	**100%**	100%
Abland Diversified Holdings Limited (Indirect holding)	100	Investment holding and indirectly acquiring income producing property investments in Kenya	Mauritius	**100%**	100%
Sal Investment Holdings Limited (Indirect holding)	1 002	Investment holding and indirectly acquiring income producing property investments in Mozambique	Mauritius	**100%**	100%
S&C Imobiliaria Limitada (Indirect holding)	2 067 212	Mozambican operating entity whereby the Andarko Building is owned	Mozambique	**100%**	100%
Commotor Limitada (Indirect holding)	16 258 974	Mozambican operating entity whereby the Vodacom and Hollard Buildings are owned	Mozambique	**100%**	100%
Freedom Property Fund SARL (Indirect holding)	112 818	Morrocan operating entity whereby the Anfa Place Shopping Center is owned	Morocco	**100%**	100%
Gerania Limited (Indirect holding)	1 000	Investment holding and indirectly acquiring income producing property investments in Mozambique	Mauritius	**100%**	0%
Mall de Tete Limitada (Indirect holding)	1 354 666	Mozambican operating entity whereby the Mall de Tete is owned	Mozambique	**100%**	0%
Mara Delta (Mauritius) Property Limited (Indirect holding)	8 517 108	Mauritian operating entity whereby the Tamassa Resort is owned	Mauritius	**100%**	0%
Leisure Property Northern (Mauritius) Limited (indirect holding)	3	Investment holding and indirectly acquiring income producing property investments in Mauritius	Mauritius	**100%**	0%
Paradise Property Investments Limited (indirect holding)	3	Investment holding and indirectly acquiring income producing property investments in Mauritius	Mauritius	**100%**	0%

** The subsidiaries reporting period as at 30 June 2017. For subsidiaries with non-coterminous reporting date, management accounts as at 30 June 2017 have been used for consolidation.*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2017

8. Investments in associates

Name of company	Country of incorporation and operation	% held	GROUP As at 30 June 2017 $	GROUP As at 30 June 2016 $	COMPANY As at 30 June 2017 $	COMPANY As at 30 June 2016 $
Mukuba Mall Limited	Zambia	50.0	**35 968 315**	32 430 353	**–**	–
Kafubu Mall Limited	Zambia	50.0	**11 812 311**	8 990 130	**–**	–
Cosmopolitan Shopping Centre Limited	Zambia	50.0	**38 120 670**	–	**–**	–
Buffalo Mall Naivasha Limited	Kenya	50.0	**3 147 968**	4 524 856	**–**	–
			89 049 264	45 945 339	**–**	–
Movement for the year						
Balance at the beginning of the year			**45 945 339**	–	**–**	–
Acquired through business combination			**38 332 171**	44 512 025	**–**	–
Other movements			**723 604**	–	**–**	–
Share of retained profits from asociates			**4 048 150**	1 433 314	**–**	–
As at 30 June			**89 049 264**	45 945 339	**–**	–

The Group's combined interest in the associates disclosed above is detailed below:

	Mukuba Mall $	Kafubu Mall $	Cosmopolitan Mall $	Buffalo Mall $	Total $
Non-current assets	**36 091 617**	**12 152 797**	**38 380 000**	**6 025 000**	**92 649 414**
Current assets	**137 313**	**30 926**	**149 989**	**616 069**	**934 297**
	36 228 930	**12 183 723**	**38 529 989**	**6 641 069**	**93 583 711**
Non-current liabilities	**–**	**262 924**	**–**	**3 006 060**	**3 268 989**
Current liabilities	**260 615**	**108 483**	**409 319**	**487 041**	**1 265 458**
	260 615	**371 412**	**409 319**	**3 493 101**	**4 534 447**
Share of net asset value	**35 968 315**	**11 812 311**	**38 120 671**	**3 147 967**	**89 049 264**
Initial investment	**31 459 025**	**8 534 442**	**38 322 171**	**4 518 558**	**82 844 196**
Share of retained profits from associates	**4 509 290**	**3 277 869**	**(211 500)**	**(1 370 591)**	**6 205 068**
Investment in associate	**35 968 315**	**11 812 311**	**38 120 671**	**3 147 967**	**89 049 264**
Revenue	**3 032 294**	**1 123 218**	**–**	**365 423**	**4 520 935**
Operating expenses	**(446 082)**	**(251 451)**	**–**	**(130 749)**	**(828 282)**
Operating profit	**2 586 212**	**871 767**	**–**	**234 674**	**3 692 652**
Administrative expenses	**(7 618)**	**(8 693)**	**–**	**(14 706)**	**(31 017)**
Fair value adjustment	**3 500 054**	**2 786 662**	**–**	**(2 105 554)**	**4 181 162**
Net finance cost	**3 633**	**(10 298)**	**–**	**(214 905)**	**(221 570)**
Dividends paid	**(2 544 321)**	**(817 257)**	**(211 500)**	**–**	**(3 573 077)**
Profit for the period of associate	**6 082 281**	**3 639 438**	**(211 500)**	**(2 100 491)**	**4 048 150**
Share of retained profits from associates	**3 537 960**	**2 822 181**	**(211 500)**	**(2 100 491)**	**4 048 150**
Share of dividends from associates received	**2 544 321**	**817 257**	**211 500**	**–**	**3 573 077**
Profit for the period of the Group	**6 082 281**	**3 639 438**	**–**	**(2 100 491)**	**7 621 227**
As at 30 June 2016					
Share of retained profits from associates	971 328	455 688	–	6 298	1 433 314
Share of dividends from associates received	1 333 482	453 070	–	–	1 786 552
Profit for the period of the Group	2 304 810	908 758	–	6 298	3 219 866

Grit acquired a 100% interest in Kitwe Mukuba Investments Limited on 1 December 2015 for a net purchase consideration of US$17.57 million. Kitwe Mukuba Investments Limited owns 50% of the share capital of Mukuba Mall Limited, a Zambian incorporated entity and the owner of the Mukuba Mall. The acquisition of Kitwe Mukuba Investments Limited gives the Group access to high-quality African real estate in line with the strategy of the Group.

Grit acquired a 100% interest in Ndola Kafubu Investments Limited on 1 December 2015 for a net purchase consideration of US$4.08 million. Ndola Kafubu Investments Limited owns 50% of the share capital of Kafubu Mall Limited, a Zambian incorporated entity and the owner of the Kafubu Mall. The acquisition of Ndola Kafubu Investments Limited gives the Group access to high-quality African real estate in line with the strategy of the Group.

Grit acquired a 100% interest in Abland Diversified Holdings Limited on 28 February 2016 for a net purchase consideration of US$4.28 million. Abland Diversified Holdings Limited owns 50% of the share capital of Buffalo Mall Naivasha Limited, a Kenyan incorporated entity and the owner of the Buffalo Mall. The acquisition of Abland Diversified Holdings Limited gives the Group access to high-quality African real estate in line with the strategy of the Group.

Grit acquired a 100% interest in Lusaka Cosmopolitan Investment Limited ("LCIL") on 30 June 2017 for a net purchase consideration of US$24.17 million (Purchase price of US$37.17 million less debt of U$13.0 million). Lusaka Cosmopolitan Investment Limited owns 50% of the share capital of Cosmopolitan Mall Limited, a Zambian incorporated entity and the owner of Cosmopolitan Mall. The acquisition of Lusaka Cosmopolitan Investment Limited gives the Group access to high-quality African real estate in line with the strategy of the Group.

Zambian Investment properties which are disclosed under: Investment in Associate, with a market value of $86.62 million (2016: $0.00) are mortgaged to Bank of China to secure debt facilities amounting to $38.9 million (2016: $0.00).

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2017

	GROUP		COMPANY	
	30 June 2017 $	30 June 2016 $	30 June 2017 $	30 June 2016 $
9. Related party loans				
Loans to subsidiaries				
Delta International Mauritius Limited	**–**	–	**255 859 234**	156 378 587
The loan is unsecured, bears interest between 2% and 7.4%. (2016: between 2% and 7.4%)				
Each tranche is repayable within 60 months after utilisation date or such later date as may be notified by the lender to the borrower in writing from time to time.				
Current accounts with subsidiaries				
DIF1 Co Limited	**–**	–	**(239 465)**	10 535
Freedom Property Fund SARL	**–**	–	**248 609**	248 609
SAL Investment Holdings Limited	**–**	–	**1 037 492**	24 160
Zimpeto Investment Holdings Limited	**–**	–	**15 498**	15 498
Kitwe Mukuba Investments Limited	**–**	–	**1 770**	1 770
Ndola Kafubu Investments Limited	**–**	–	**1 770**	1 770
HM&K Properties Limited	**–**	–	**8 060**	8 060
BH Property Investments Limited	**–**	–	**51 583**	2 237
The above loans are unsecured, do not bear interest and the borrower has an unconditional right to defer payment for a period of 12 months.				
Loans to/(from) related parties				
Freedom Asset Management Limited	**783 386**	978 277	**472 105**	646 300
Bowwood and Main No117 Proprietary Limited	**8 328**	–	**3 612**	–
Redefine Properties Limited	**(1 365 000)**	(1 365 000)	**–**	–
The above loans are unsecured, does not bear interest and the borrower has an unconditional right to defer payment for a period of 12 months.				
Mara Delta Executive Share Trust	**9 930 890**	–	**9 930 890**	–
This loan bears interest at 3-month Libor plus 6.5% per annum.				
Gateway Delta Developments Limited	**2 000 000**	–	**–**	–
This loan bears interest at 3-month Libor plus 6.5% per and is unsecured for a period of 18 months. This loan is convertable into ordinary shares.				
	11 357 604	(386 723)	**267 391 158**	157 337 526
In the opinion of the directors, the carrying value of loans to subsidiaries and related parties approximate the fair value as the interest rates on the loans approximate interest rates on borrowings.				
Non-current assets	**12 722 604**	978 277	**267 391 158**	157 337 526
Current liabilities	**(1 365 000)**	(1 365 000)	**–**	–
	11 357 604	(386 723)	**267 391 158**	157 337 526

	GROUP		COMPANY	
	As at 30 June 2017 $	As at 30 June 2016 $	As at 30 June 2017 $	As at 30 June 2016 $

10. Loans receivable

Beachcomber Hospitality Investments Limited[1]	**47 409 174**	–	**–**	–
Ndola Investments Limited[2]	**5 102 618**	–	**–**	–
Paxton Investments Limited[2]	**8 702 065**	–	**–**	–
Kitwe Copperbelt Limited[2]	**5 526 180**	–	**–**	–
As at 30 June	**66 740 037**	–	**–**	–

[1] This loan represents the prepayment of the equity into the Beachcomber Transaction. The loan bears interest at 7.5% and will be converted to equity upon registration of the shares.

[2] These loans represents a back-to-back loan for the Zambian portfolio facility of $77 million at Bank of China for five years. Interest is charged at 6-month Libor plus 4%.

	GROUP		COMPANY	
	As at 30 June 2017 $	As at 30 June 2016 $	As at 30 June 2017 $	As at 30 June 2016 $

11. Deferred tax

Deferred tax asset/(liability)				
Assessed losses	**581 843**	–	**–**	–
Foreign exchange losses	**5 589 257**	5 984 142	**–**	–
Provisions	**3 382**	–	**–**	–
Total deferred tax asset	**6 174 482**	5 984 142	**–**	–
Straight-line rental income	**(898 773)**	(835 646)	**–**	–
Total deferred tax liability	**(898 773)**	(835 646)	**–**	–
	5 275 709	5 148 496	**–**	–
Movement for the year				
Balance at the beginning of the year	**5 148 496**	(617 062)	**–**	–
Assessed losses (utilised) /recognised	**581 843**	(190 143)	**–**	–
Foreign exchange losses	**(394 885)**	5 984 142	**–**	–
Provisions	**3 382**	–	**–**	–
Straight-line rental income	**(63 127)**	(28 441)	**–**	–
As at 30 June	**5 275 709**	5 148 496	**–**	–

Deferred tax assets have been recognised on deductible temporary differences where management, having reviewed the Group's projections, believe that there will be sufficient taxable income in future to utilise the temporary differences.

Deferred tax assets have not been recognised for certain companies within the Group, with tax losses amounting to $13.21 million (2016: $5.39 million).

Further consequences of exchange retranslation and consolidation resulted in deferred tax movements in profit and loss of US$327 652 (2016: US$10.58 million).

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2017

12. Trade and other receivables

	GROUP		COMPANY	
	As at 30 June 2017 $	As at 30 June 2016 $	As at 30 June 2017 $	As at 30 June 2016 $
Trade receivables	**6 524 779**	6 551 511	**–**	–
Allowance for credit losses	**(2 781 559)**	(1 819 486)	**–**	–
Net trade receivables	**3 743 220**	4 732 025	**–**	–
Accrued Income	**2 650 937**	361 785	**–**	–
Deposit paid	**577 613**	90 615	**359 837**	–
Adjustment account	**6 805 322**	3 241 108	**–**	–
Debt structure fee	**2 396 610**	437 033	**1 524 303**	366 500
Prepaid expenses	**1 069 503**	3 226 262	**551 304**	16 667
Sundry Debtors	**1 413 503**	1 661 353	**249 336**	261 414
VAT	**7 259 812**	4 351 286	**21 234**	–
Other receivables	**22 173 300**	13 369 441	**2 706 014**	644 581
Total trade and other receivables	**25 916 520**	18 101 466	**2 706 014**	644 581
Movement of the provision for doubtful debts				
Opening balance	**(1 819 486)**	(987 885)	**–**	–
Provision for doubtful debts raised during the year	**(962 073)**	(831 600)	**–**	–
	(2 781 559)	(1 819 486)	**–**	–
Ageing of trade receivables past due but not impaired				
30 days	**1 372 127**	360 033	**–**	–
60 days	**79 351**	181 082	**–**	–
90 days	**370 697**	358 624	**–**	–
120 days +	**1 921 045**	3 832 286	**–**	–
	3 743 220	4 732 025	**–**	–
Ageing of impaired receivables				
120 days +	**2 781 559**	1 819 486	**–**	–
	2 781 559	1 819 486	**–**	–

Trade and other receivables past due but not impaired
Trade and other receivables are generally collected within 30 days of invoice, once a property has been fully integrated, which represents normal terms. A provision is made for all debtors where legal action has been taken. All other debtors older than 30 days are considered past due, not impaired, are considered fully collectable based on historic payment behaviour,security deposits held by tenants and extensive analysis of the circumstances in respect of each amount.

At 30 June 2017, trade receivables of $3.74 million (2016:$4.73 million) for the Group and $0.00 (2016: $0.00) for the Company were past due but not impaired.

Trade and other receivables
None of the financial assets that are fully performing have been renegotiated in the last year. The other classes within trade and other receivables are not considered impaired.

Trade and other receivables impaired
At 30 June 2017, trade and other receivables of $2.78 million (2015:$1.82 million) for the Group and $0.00 (2016: $0.00) for the Company were impaired and provided for.

	GROUP		COMPANY	
	30 June 2017 $	30 June 2016 $	30 June 2017 $	30 June 2016 $

13. Cash and cash equivalents

	30 June 2017 $	30 June 2016 $	30 June 2017 $	30 June 2016 $
Cash and cash equivalents consists of the following:				
Bank balances	**24 656 167**	5 843 338	**20 743 598**	46 947
Bank balance held under guarantee	**–**	11 670 000	**–**	–
Petty cash	**3 465**	13 950	**–**	–
Short term deposits	**7 044**	244 533	**–**	–
Current assets	**24 666 676**	17 771 821	**20 743 598**	46 947
Bank overdraft	**(438 212)**	–	**–**	–
Current liabilities	**(438 212)**	–	**–**	–
	24 228 464	17 771 821	**20 743 598**	46 947
Cash and cash equivalents are held in the following currencies:	**–**	–	**–**	–
United States Dollars	**22 127 250**	12 313 106	**19 869 789**	46 947
Mozambique Meticais	**643 420**	3 568 155	**–**	–
Moroccan Dirhams	**71 526**	1 378 574	**–**	–
Mauritian Rupees	**22 756**	499 220	**–**	–
Bahraini Dinars	**12 667**	12 667	**–**	–
South African Rands	**873 185**	99	**870 724**	–
Euros	**477 660**	–	**3 085**	–
	24 228 464	17 771 821	**20 743 598**	46 947

Delta International Mauritius Limited holds an overdraft facility of US$1 million with Standard Bank Mauritius Limited which is unsecured and carries interest of 1-month Libor plus 2.5%.

Freedom Property Fund SARL in Morocco holds an overdraft facility of MAD8 million with BMCE Bank, secured by tenant deposits.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2017

14. Share capital

	GROUP		COMPANY	
	As at 30 June 2017 $	As at 30 June 2016 $	As at 30 June 2017 $	As at 30 June 2016 $
Authorised				
7 500 000 000 ordinary shares of no par value				
(2016: 7 500 000 000 ordinary shares of no par value)				
Issued				
Ordinary shares				
208 514 261 ordinary shares of no par value	**319 978 513**	171 995 297	**319 978 513**	171 995 297
(2016: 100 061 130 ordinary shares of no par value)				
Movement for 2016				
Balance at the beginning of the year – 664 180 shares	**–**	127 958 794	**–**	127 958 794
Shares issued to 31 December 2015 – 6 124 370[2]	**–**	10 411 429	**–**	10 411 429
Transferred to Antecedent dividend reserve*	**–**	(295 558)	**–**	(295 558)
Shares issued to 30 June 2016 – 20 280 313[2]	**–**	34 418 876	**–**	34 418 876
Transferred to Antecedent dividend reserve*	**–**	(339 989)	**–**	(339 989)
Share issue expenses	**–**	(158 255)	**–**	(158 255)
Movement for 2017				
Balance at the beginning of the year – 100 061 130 shares	**171 995 297**	171 995 297	**171 995 297**	171 995 297
Shares issued to 31 December 2016 – 11 725 912[1]	**18 128 903**	–	**18 128 903**	–
Transferred to Antecedent dividend reserve*	**(897 263)**	–	**(897 263)**	–
Shares issued to 30 June 2017 – 10 144 680[2]	**16 190 299**	–	**16 190 299**	–
Rights issue shares issued on 28 June 2017 – 86 582 539[3]	**121 215 555**	–	**121 215 555**	–
Transferred to Antecedent dividend reserve*	**(1 323 625)**	–	**(1 323 625)**	–
Share issue expenses	**(5 330 652)**	–	**(5 330 652)**	–
In issue at the end of the year – 208 514 261	**319 978 513**	171 995 297	**319 978 513**	171 995 297

[1] *11 725 912 shares were issed during the year for a total consideration of US$18 128 903 at an average issue price of US$1.55 per share.*

[2] *10 144 680 shares were issed during the year for a total consideration of US$16 190 299 at an average issue price of US$1.60 per share.*

[3] *86 582 539 shares were issed during the year for a total consideration of US$121 215 555 at an average issue price of US$1.40 per share.*

The unissued shares are under the control of the directors. This authority remains in force until the next Annual General Meeting of the Company.

During the period under review issues were made for non-cash considerations. On 22 August 2016, 645 441 shares were issued for the settlement of fees part of the acquision of Abland Diversified Holdings Limited and on 1 March 2017, 7 111 420 shares were issued as settlement of the acquisition of Gerania Limited, owner of Mall de Tete. Mara Delta Executive Share Trust acquired 7 093 493 shares through a related party loan approved by the board.

* *Transfers were made during the year from Share capital into the Antecedent dividend reserve amounting to US$2 220 889 (2016: US$635 547). In order for this to be allowed the Group obtained shareholder approval to make distributions from capital up to 3.34% of capital issued on 4 April 2016.*

The total cash received for the shares issued during the period under review was US$133.4 million (2016: US$40.7 million).

15. Interest-bearing borrowings

	Notes	GROUP As at 30 June 2017 $	GROUP As at 30 June 2016 $	COMPANY As at 30 June 2017 $	COMPANY As at 30 June 2016 $
Non-current liabilities					
At amortised cost		**187 447 310**	127 070 183	**527 603**	–
Current liabilities					
At amortised cost		**47 959 452**	34 548 386	**19 312 024**	20 000 000
		235 406 762	161 618 569	**19 839 627**	20 000 000
Movement for the year					
Balance at the beginning of the year		**161 618 569**	101 656 595	**20 000 000**	–
Proceeds of interest-bearing borrowings		**170 932 815**	151 487 362	**63 383 019**	24 400 000
Foreign currency translation difference		**4 573 550**	(802 611)	**–**	
Debts from business combinations		**13 001 412**	19 000 000	**–**	–
Interest paid		**(8 460 145)**	(8 531 977)	**(1 387 798)**	(1 050 388)
Interest due		**(1 285 265)**	(672 278)	**78 538**	(78 538)
Interest expensed		**9 745 410**	8 988 598	**1 309 259**	1 128 926
Debt settled during the year		**(114 719 583)**	(109 507 120)	**(63 543 391)**	(4 400 000)
As at 30 June		**235 406 762**	161 618 569	**19 839 627**	20 000 000
Currency of the interest-bearing borrowings					
US Dollars		**160 347 727**	123 421 290	**19 839 627**	20 000 000
Euros		**72 039 225**	35 312 451	**–**	–
Mozambican Meticais		**3 019 810**	2 884 828	**–**	–
		235 406 762	161 618 569	**19 839 627**	20 000 000

The loans are as follows:

Lender	Initial facility	GROUP As at 30 June 2017 $	GROUP As at 30 June 2016 $	COMPANY As at 30 June 2017 $	COMPANY As at 30 June 2016 $
Financial institutions					
Standard Bank Mozambique	$10.4m	**10 451 123**	10 451 124	**–**	–
Standard Bank South Africa	$14.68m	**–**	11 663 558	**–**	–
Standard Bank South Africa	$38.0m	**38 000 000**	38 000 000	**–**	–
Bank Unico of Mozambique	MZN182.7m	**3 019 810**	2 884 828	**–**	–
Investec South Africa	$15.7m + €36m	**50 154 416**	51 719 059	**–**	–
Barclays Bank Mauritius	$7.9m	**7 400 000**	7 900 000	**–**	–
Afrasia	Revolver	**19 312 024**	20 000 000	**19 312 024**	20 000 000
Bank of China	$13.3m + $77m	**52 150 000**	–	**–**	–
State Bank of Mauritius	€22.3m + €9m	**35 724 248**	–	**–**	–
Investec Mauritius		**527 603**	–	**527 603**	–
Nedbank		**5 666 126**	–	**–**	–
Vendor finance		**–**	–	**–**	–
Rockcastle Global Real Estate Limited	$19m	**–**	19 000 000	**–**	–
Rockcastle Global Real Estate Limited	$13m	**13 001 411**	–	**–**	–
		235 406 762	161 618 569	**19 839 627**	20 000 000

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2017

15. Interest-bearing borrowings (continued)

Terms of each loan are as follows:

Lender	Base rate	Margin	% fixed	Initial facility	Interest rate	Maturity date	Weighted average cost of debt
Financial institutions							
Standard Bank Mozambique	6.51%	0.00%	100%	$10.4m	6.51%	Sep 2019	0.38%
Standard Bank South Africa	1-month Libor	6.50%	0%	$14.68m	6.42%	Jun 2016	0.03%
Standard Bank South Africa	3-month Libor	5.40%	70%	$38.0m	6.72%	Jul 2018	1.41%
State Bank Mauritius	3.75%	0.00%	100%	€22.3m	3.75%	Mar 2020	0.14%
State Bank Mauritius	3-month Libor	3.90%	0%	€9.0m	3.90%	Dec 2017	0.12%
Bank of China	6-month Libor	5.10%	0%	$13.3m	6.45%	Feb 2022	0.16%
Bank of China	6-month Libor	4.00%	0%	$77.7m	5.42%	Apr 2022	0.24%
Nebank South Africa	3-month Libor	16.02%	0%	$5.6m	17.24%	Dec 2017	0.28%
Bank Unico of Mozambique	27.50%	0.00%	0%	MZN182.7m	27.50%	Jul 2027	0.39%
Investec Mauritius	3-month Libor	4.50%	0.0%	$527k	5.38%	Sep 2021	0.01%
Investec South Africa	3-month Libor	4.0% – 4.05%	63.6%	$15.7m + €36m	4.48%	Feb 2019	1.18%
Barclays Bank Mauritius	3-month Libor	4.00%	70%	$7.9m	5.39%	Feb 2019	0.22%
Afrasia	3-month Libor	5.4% – 6.5%	0%	Revolver	6.30%	Jun 2017	0.83%
Vendor finance							
Rockcastle Global Real Estate Limited	5%	0.00%	100%	$19m	5.00%	Apr 2017	0.41%
Rockcastle Global Real Estate Limited	5%	0.00%	100%	$13m	5.00%	Jul 2017	0.00%
Weighed average cost of debt							**5.78%**

At year-end, the Group's loan facilities were fully drawn down and the gearing ratio was 41.60% (2016:48.85%).

The interest-bearing borrowings are secured over investment property (including associates) with a carrying value of US$392 million (2016:US$272 million). Refer to note 3 for futher details of secured investment property.

For further details on the maturity profile of the interest-bearing borrowings, please refer to note 34.

	GROUP		COMPANY	
	As at 30 June 2017 $	As at 30 June 2016 $	As at 30 June 2017 $	As at 30 June 2016 $
16. Preference shares				
Opening balance	**–**	–	**–**	–
Proceeds from preference shares issued	**12 840 000**	–	**–**	–
	12 840 000	–	**–**	–

During the period under review one of the subsidiaries issued 1 284 preference shares at US$10 000 per share to the National Pension Fund of Mauritius. The preference share carries a coupon rate of 6.25% and is redeemable through a put option.

	GROUP		COMPANY	
	As at 30 June 2017 $	As at 30 June 2016 $	As at 30 June 2017 $	As at 30 June 2016 $

17. Secured finance leases

Opening balance	**–**	–	**–**	–
Proceeds from secured finance leases	**289 282**	–	**–**	–
Interest accrued	**15 870**	–	**–**	–
Interest paid	**(15 870)**	–	**–**	–
Debt settled during the year	**(73 469)**	–	**–**	–
	215 813	–	**–**	–
Payable in one year	**44 566**	–	**–**	–
Payable between one and two years	**171 247**	–	**–**	–
Payable between two and three years	**–**	–	**–**	–
	215 813	–	**–**	–
Minimum lease payments:				
Payable in one year	**60 988**	–	**–**	–
Payable between one and five years	**198 210**	–	**–**	–
Payable after five years	**–**	–	**–**	–
	259 197	–	**–**	–
Future finance charges on finance lease	**(43 384)**	–	**–**	–
	215 813	–	**–**	–

The secured finance leases are secured over motor vehicles with a carrying value of US$243 995 (2016: US$0). Refer to note 5 for further details of secured motor vehicles. Interest is charged at Mauritius prime lending rate plus 1%. The facility is held in Mauritian Rupees over a term of five years. There are no restrictions imposed on the Group by lease arrangements other than in respect of the specific assets being leased.

	GROUP		COMPANY	
	As at 30 June 2017 $	As at 30 June 2016 $	As at 30 June 2017 $	As at 30 June 2016 $

18. Trade and other payables

Trade payables	**9 315 069**	4 889 182	**4 646 483**	1 333 053
Accruals	**733 872**	1 845 881	**–**	10 800
Deposits received	**2 259 531**	2 018 310	**–**	–
Income received in advance	**3 831 544**	4 301 550	**–**	–
Provision for audit fees	**171 925**	95 954	**67 600**	39 600
Sundry creditors	**198 347**	1 167 989	**–**	23 500
Payroll control	**734 167**	38 012	**–**	–
Interest accruals	**1 957 543**	672 278	**–**	78 539
	19 201 998	15 029 156	**4 714 083**	1 485 492

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2017

	GROUP		COMPANY	
	As at 30 June 2017 $	As at 30 June 2016 $	As at 30 June 2017 $	As at 30 June 2016 $
19. Financial instruments				
Interest rate swap[1] – Barclays	**(3 647)**	96 120	**–**	–
Interest rate swap[2] – Standard Bank	**22 371**	458 092	**–**	–
	18 724	554 212	**–**	–

[1] *This interest rate swap is held with Barclays Bank Mauritius Limited. The swap is based on a nominal value of US$5.53m and it matures on 19 February 2019 with a fixed interest rate of 1.5%.*

[2] *This interest rate swap is held with The Standard Bank of South Africa Limited. The swap is based on a nominal value of US$26.6m and it matures on 31 July 2018 with a fixed interest rate of 1.51%.*

	GROUP		COMPANY	
	Year ended 30 June 2017 $	Year ended 30 June 2016 $	Year ended 30 June 2017 $	Year ended 30 June 2016 $
20. Revenue				
Contractual rental income	**19 963 378**	16 724 420	**–**	–
Retail parking	**974 847**	241 827	**–**	–
Recoveries	**3 391 345**	3 912 211	**–**	–
	24 329 570	20 878 458	**–**	–
21. Profit/(loss) from operations				
Profit/(loss) from operations for the year is stated after accounting for the following:				
Asset management fees – annual fees	**–**	1 056 889	**–**	298 489
Employee costs	**2 048 534**	456 598	**–**	–
Social security costs	**82 882**	23 719	**–**	–
Property management fees	**1 104 972**	1 319 777	**–**	–
Property letting commissions	**97 212**	33 648	**–**	–
Office rentals	**15 352**	7 292	**–**	–
Amortisation of intangible assets	**34 264**	2 747	**–**	–
Depreciation of property, plant and equipment	**173 272**	91 386	**28 364**	–
Directors' fees*	**126 000**	77 050	**96 000**	59 550
Provision for doubtful debts	**962 073**	831 600	**–**	–
Audit fees	**185 660**	137 686	**28 000**	24 000
Administration fees	**235 576**	75 040	**97 997**	29 042
Accounting services	**23 635**	94 347	**–**	694
Non-audit services performed by BDO Mauritius	**40 000**	13 500	**27 000**	13 500
Tax services	**76 388**	3 669	**75 763**	894

Non-audit services provided by BDO Mauritius relate to a limited review of Group accounts for the period ended 31 March 2017, review of the forecast of one of the subsidiaries and acting as independent financial advisor in connection to the listing of another subsidiary – (2016: Corporate advisory services provided during the listing of the Company on the SEM and the revised listing particulars.)

* *Non-executive director fees*

	GROUP		COMPANY	
	Year ended 30 June 2017 $	Year ended 30 June 2016 $	Year ended 30 June 2017 $	Year ended 30 June 2016 $

22. Directors' emoluments

Fees paid to executive directors				
Bronwyn Corbett	**579 850**	190 056	**–**	–
Basic salary	**291 667**	125 000	**–**	–
Performance bonus	**212 359**	–	**–**	–
Other benefits	**75 824**	65 056	**–**	–
Leon van de Moortele	**362 974**	207 958	**–**	–
Basic salary	**178 571**	164 318	**–**	–
Performance bonus	**126 405**	11 727	**–**	–
Pension fees	**–**	4 823	**–**	–
Other benefits	**57 998**	27 090	**–**	–
Total executive directors' emoluments	**942 824**	398 014	**–**	–
Fees executive directors emoluments by category				
Basic salary	**470 238**	289 318	**–**	–
Performance bonus	**338 764**	11 727	**–**	–
Pension fees	**–**	4 823	**–**	–
Other benefits	**133 823**	92 146	**–**	–
Total executive directors' emoluments	**942 824**	398 014	**–**	–
Payments made by Company:				
Paid from Freedom Asset Management Limited	**–**	322 425	**–**	–
Paid from Delta International Mauritius Limited	**942 824**	75 589	**–**	–
Total fees paid	**942 824**	398 014	**–**	–
Director fees paid to non-executive directors				
Directors of holding company				
Peter Todd	**22 800**	11 400	**22 800**	11 400
Maheshwar Doorgakant	**12 000**	19 500	**12 000**	19 500
Chandra Kumar Gujadhur	**16 800**	16 050	**16 800**	16 050
Ian Macleod	**19 200**	12 600	**19 200**	12 600
Jackie van Niekerk	**16 800**	–	**16 800**	–
Matshepo More	**8 400**	–	**8 400**	–
	96 000	59 550	**96 000**	59 550
Directors of subsidiaries				
Brian Holmes	**30 000**	17 500	**–**	–
	30 000	17 500	**–**	–
Total non-executive directors' emoluments	**126 000**	77 050	**96 000**	59 550
Total directors' emoluments	**1 068 824**	475 064	**96 000**	59 550

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2017

	Notes	GROUP		COMPANY	
		Year ended 30 June 2017 $	Year ended 30 June 2016 $	Year ended 30 June 2017 $	Year ended 30 June 2016 $
23. Interest income					
Bank accounts		**13 004**	170 158	**5 301**	–
Vendor loans[1]		**1 683 119**		**–**	–
Tenant arrears		**297 393**	–	**–**	–
Group companies		**–**	–	**3 372 409**	3 692 424
		1 993 516	170 158	**3 377 710**	3 692 424
24. Finance costs					
Interest-bearing borrowings – financial institutions		**8 968 963**	6 061 034	**1 309 259**	1 128 926
Interest-bearing borrowings – vendor loans[2]		**776 447**	2 927 564	**–**	–
Finance leases		**15 870**	–	**–**	–
Amortised debt structuring fees		**583 747**	696 023	**441 659**	132 328
Preference share dividend		**219 856**	–	**–**	–
Bank overdraft		**31 413**	–	**199**	–
Tax authorities		**374 265**	13 646	**–**	–
		10 970 561	9 698 267	**1 751 117**	1 261 254

[1] *These vendor loans relate to the loans mentioned in note 10 as well as the deposit paid to date on the VDE Housing Compound.*

[2] *These loans refer to the Vendor financing facilities outlined in note 15.*

25. Taxation

	Notes	GROUP Year ended 30 June 2017 $	GROUP Year ended 30 June 2016 $	COMPANY Year ended 30 June 2017 $	COMPANY Year ended 30 June 2016 $
Major components of the taxation expense					
Current taxation – current period		**32 326**	1 493 959	**(32 768)**	–
Deferred taxation – current period		**454 865**	3 944 764	**–**	–
		487 191	5 438 723	**(32 768)**	–
Reconciliation of the taxation expense					
Accounting profit		**18 218 876**	7 412 512	**17 417 769**	16 281 207
Statutory taxation expense at 15% (2016: 15%)		**2 732 831**	1 111 877	**2 612 665**	2 442 181
Tax effect of adjustments to taxable income:					
Non-taxable income		**(1 686 469)**	–	**(2 909 059)**	–
Non-deductible expenditure		**131 034**	3 560 963	**–**	–
Under provision of the previous year		**32 768**	**–**	**32 768**	–
Foreign tax credit		**33 427**	–	**274 656**	(1 953 745)
Tax losses unutilised carried forward		**2 416 005**	501 862	**21 737**	(488 436)
Effect of different tax rates and consolidation adjustments		**(3 172 405)**	264 021	**–**	–
Effective taxation expense		**487 191**	5 438 723	**32 768**	–

The Company is subject to 15% income tax in Mauritius according to the provisions of the Income Tax Act 1995 as amended. As the Company holds a Category One Global Business License, the Income Tax (Foreign Tax Credit) Regulations 1996 provides for the setting off of any underlying tax, withholding tax or tax sparing credit by the Company against the 15% tax or a deemed 80% foreign tax credit on the Company's foreign source income where written evidence of foreign tax charged is not presented to the tax authorities in Mauritius. Gains on sale of securities are exempted from tax in Mauritius.

The Company is subject to 15% income tax in Mauritius according to the provisions of the Income Tax Act 1995 as amended.

Taxation rates applicable in operating jurisdictions of the Group:

– Mozambique	32%
– Morocco	30%
– Kenya	30%
– Zambia	35%

The tax losses for Mauritian companies are available for set-off against future profits over a maximum period of five years in accordance with the provisions of the Mauritian Income Tax Act 1995 as amended and expiring as follows:

Financial year-end	**Expiry year**	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
30 June 2015	30 June 2019	**360 816**	360 816	**–**	53 258
30 June 2016	30 June 2020	**5 023 979**	5 027 037	**–**	–
30 June 2017	30 June 2021	**7 824 347**	–	**144 913**	–
		13 209 142	5 387 853	**144 913**	53 258

Further tax losses are available for set-off against future profits within the Group outside of Mauritius which amounts to US$103 421 (2016: US$111 964).

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2017

26. Basic earnings and headline earnings

	GROUP Year ended 30 June 2017 $	GROUP Year ended 30 June 2016 $	COMPANY Year ended 30 June 2017 $	COMPANY Year ended 30 June 2016 $
Reconciliation of basic earnings and headline earnings				
Basic earnings	**17 731 685**	1 973 789	**17 385 001**	16 281 207
Fair value adjustments on investment property	**(2 936 120)**	3 759 543	**–**	–
Change in fair value of investment property	**(2 936 120)**	3 759 543	**–**	–
Deferred taxation on investment property revaluation	**–**	–	**–**	–
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	**9 552 942**	4 163 614	**17 385 001**	16 281 207
Number of shares in issue at interim	**111 787 042**	79 780 817	**111 787 042**	79 780 817
Number of shares in issue at year-end	**208 514 261**	100 061 130	**208 514 261**	100 061 130
Weighted average number of shares*	**110 435 576**	81 725 430	**110 435 576**	81 725 430
Earnings per share				
Basic and diluted earnings per share (cents)	**16.06**	2.42	**15.74**	19.92
Headline diluted earnings per share (cents)	**8.65**	5.09	**15.74**	19.92

** There are no dilutionary instruments in issue*

27. Cash generated from/(utilised in) operations

	GROUP Year ended 30 June 2017 $	GROUP Year ended 30 June 2016 $	COMPANY Year ended 30 June 2017 $	COMPANY Year ended 30 June 2016 $
Profit before tax	**18 218 876**	7 412 512	**17 417 769**	16 281 207
Adjusted for:				
Depreciation and amortisation	**207 535**	94 133	**28 364**	–
Interest income	**(1 993 516)**	(170 158)	**(3 377 710)**	(3 692 424)
Income from associates	**(7 621 227)**	(3 219 866)	**–**	–
Interest expense	**10 970 561**	9 698 267	**1 751 117**	1 261 254
Allowance for credit losses	**962 073**	831 600	**–**	–
Unrealised foreign exchange loss	**1 220 542**	725 284	**856 271**	–
Straight-line income accrual	**(1 132 143)**	(2 217 399)	**–**	–
Gain from bargain purchase	**(957 837)**	(250 515)	**–**	–
Fair value adjustment on investment properties	**(2 936 120)**	3 759 543	**–**	–
Fair value adjustment on financial instruments	**(103 624)**	99 198	**–**	–
Fair value adjustment on investment in subsidiary	**–**	–	**(19 370 678)**	(15 220 739)
	16 835 120	16 762 599	**(2 694 867)**	(1 370 702)
Changes to working capital				
Trade and other receivables	**8 459 768**	(3 203 268)	**(2 061 433)**	(629 635)
Trade and other payables	**(9 939 611)**	5 726 945	**–**	281 306
	15 355 278	19 286 276	**(1 659 793)**	(1 719 031)

	GROUP		COMPANY	
	Year ended 30 June 2017 $	Year ended 30 June 2016 $	Year ended 30 June 2017 $	Year ended 30 June 2016 $

28. Tax paid

Balance at the beginning of the year	**(1 054 118)**	(149 649)	**–**	–
Current tax expense	**(32 326)**	(1 493 959)	**(32 768)**	–
Less: Balance at the end of the year	**(393 371)**	1 054 118	**(1 081)**	–
	(1 479 815)	(589 490)	**(33 849)**	–

29. Finance costs paid

Finance costs charged to profit or loss	**10 970 561**	9 698 267	**1 751 117**	1 261 254
Effects of foreign exchange	**–**	173 758	**–**	–
Interest accrued	**(1 285 265)**	(630 379)	**78 539**	(78 538)
	9 685 296	9 241 646	**1 829 656**	1 182 716

30. Dividends paid to shareholders

Dividends payable at the beginning of the year	**–**	–	**–**	–
Dividends declared and paid during the year	**17 649 138**	8 469 704	**17 649 138**	8 469 704
Dividends payable at the end of the period	**–**	–	**–**	–
	17 649 138	8 469 704	**17 649 138**	8 469 704

A interim dividend of USD6.12 cents per share was declared by the board on 14 March 2017 and a clean-out dividend of USD4.57 cents per share on 29 May 2017.

A final dividend of USD1.38 cents per share was declared by the board on 21 September 2017. There were 208 514 261 shares in issue at the date of declaration of the final dividend.

For the 2016 reporting period, a total dividend of USD11.75 cents per share was declared by the board. There were 100 061 130 shares in issue at the date of declaration of the final dividend.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2017

	GROUP Year ended 30 June 2017 $	GROUP Year ended 30 June 2016 $	COMPANY Year ended 30 June 2017 $	COMPANY Year ended 30 June 2016 $
31. Business combinations				
31.1 Investment in Gerania Limited				
Fair value of assets and liabilities assumed				
Assets				
Other assets	**1 387**	–	**–**	–
Investment properties	**24 220 000**	–	**–**	–
Cash balances	**3 972 206**	–	**–**	–
Trade and other receivables	**3 122 021**	–	**–**	–
	31 315 613	–	**–**	–
Liabilities				
Trade and other payables	**(7 095 613)**	–	**–**	–
	(7 095 613)	–	**–**	–
Identifiable assets acquired and liabilities assumed	**24 220 000**	–	**–**	–
Purchase consideration	**24 220 000**	–	**–**	–
Gain from bargain purchase	**–**	–	**–**	–
Purchase consideration	**24 220 000**	–	**–**	–
Less: cash and cash equivalents acquired	**(3 972 206)**	–	**–**	–
Less: Equity instruments	**(11 519 077)**	–	**–**	–
Net cash outflow	**8 728 717**	–	**–**	–

Grit acquired a 100% interest in Gerania Limited on 1 March 2017 for a net purchase consideration of US$12.7 million (purchase price of US$24.22 million less debt of U$13.3 million). Gerania Limited owns 100% of the share capital of Mall de Tete Limitada, a Mozambican incorporated entity and the owner of the Mall de Tete. The acquisition of Gerania Limited gives the Group access to high-quality African real estate in line with the strategy of the Group.

No goodwill or gain on bargain purchase materialised to Grit's acquisition of Gerania Limited and was calculated in terms of IFRS 3 Business Combinations.

In the financial period under review to 30 June 2017, Mall de Tete Limitada contributed a net operating profit of US$766 956. Had the acquisition been done as from 1 July 2016, net operating profit would have increased by US$1 533 928.

	GROUP		COMPANY	
	Year ended 30 June 2017 $	Year ended 30 June 2016 $	Year ended 30 June 2017 $	Year ended 30 June 2016 $

31. Business combinations (continued)

31.2 Investment in Lusaka Cosmopolitan Investment Limited

	GROUP Year ended 30 June 2017 $	GROUP Year ended 30 June 2016 $	COMPANY Year ended 30 June 2017 $	COMPANY Year ended 30 June 2016 $
Fair value of assets and liabilities assumed				
Assets				
Investment in associate	**38 332 171**	–	**–**	–
	38 332 171	–	**–**	–
Liabilities				
Interest-bearing borrowings	**(13 001 412)**	–	**–**	–
Trade and other payables	**(205 325)**			
	(13 206 736)	–	**–**	–
Identifiable assets acquired and liabilities assumed	**25 125 434**	–	**–**	–
Purchase consideration	**37 167 597**	–	**–**	–
Debt acquired	**(13 000 000)**			
Gain from bargain purchase	**(957 837)**	–	**–**	–
Purchase consideration	**37 167 597**	–	**–**	–
Less: Cash and cash equivalents on hand	**–**	–	**–**	–
Less: Amount outstanding	**(5 777 563)**	–	**–**	–
Less: Settlement with debt	**(13 000 000)**	–	**–**	–
Less: Deposit paid	**(3 000 000)**	–	**–**	–
Net cash outflow	**15 390 035**	–	**–**	–

Grit acquired a 100% interest in Lusaka Cosmopolitan Investment Limited ("LCIL") on 30 June 2017 for a net purchase consideration of US$24.17 million (purchase price of US$37.17 million less debt of U$13.0 million). Lusaka Cosmopolitan Investment Limited owns 50% of the share capital of Cosmopolitan Mall Limited, a Zambian incorporated entity and the owner of Cosmopolitan Mall. The acquisition of Lusaka Cosmopolitan Investment Limited gives the Group access to high-quality African real estate in line with the strategy of the Group. The outstanding amount of US$5 777 563 at year-end has been settled in full on 7 July 2017.

The gain on bargain purchase amounting to US$0.96 million relates to Grit's acquisition of LCIL and was calculated in terms of IFRS 3 Business Combinations. The gain represents the amount by which the fair value of net assets acquired exceeds the consideration paid and has no impact on distributable earnings.

The gain on bargain purchase arose as a consequence of fairly valuing the underlying property, the Cosmopolitan Mall to its fair value at the date of acquisition, together with the measurement of deferred taxation at Mauritian company level, whereby any future sale of the building will be made at LCIL level through the sale of shares which is not subject to capital gains tax.

In the financial period under review to 30 June 2017, Cosmopolitan Mall contributed dividends of US$211 500. Had the acquisition been done as from 1 July 2016, addiional dividends received would have increased by US$2 714 790.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2017

31. Business combinations (continued)

31.3 Investment in Kitwe Mukuba Investments Limited

	GROUP		COMPANY	
	Year ended 30 June 2017 $	Year ended 30 June 2016 $	Year ended 30 June 2017 $	Year ended 30 June 2016 $
Fair value of assets and liabilities assumed				
Assets				
Investment in associate	–	31 574 103	–	–
	–	31 574 103	–	–
Liabilities				
Interest-bearing borrowings	–	(14 000 000)	–	–
	–	(14 000 000)	–	–
Identifiable assets acquired and liabilities assumed	–	17 574 103	–	–
Purchase consideration	–	17 574 103	–	–
Gain from bargain purchase	–	–	–	–
Purchase consideration	–	17 574 103	–	–
Less: cash and cash equivalents acquired	–	–	–	–
Net cash outflow	–	17 574 103	–	–

Grit acquired a 100% interest in Kitwe Mukuba Investments Limited on 1 December 2015 for a net purchase consideration of US$17.57 million. Kitwe Mukuba Investments Limited owns 50% of the share capital of Mukuba Mall Limited, a Zambian incorporated entity and the owner of the Mukuba Mall. The acquisition of Kitwe Mukuba Investments Limited gives the Group access to high-quality African real estate in line with the strategy of the Group.

No goodwill or gain on bargain purchase materialised to Grit's acquisition of Ndola Kafubu Investments Limited and was calculated in terms of IFRS 3 Business Combinations.

In the financial period under review to 30 June 2016, Mukuba Mall Limited contributed dividends of US$1 333 482. Had the acquisition been done as from 1 July 2015, share of profit from associate would have increased by US$812 637.

	GROUP		COMPANY	
	Year ended 30 June 2017 $	Year ended 30 June 2016 $	Year ended 30 June 2017 $	Year ended 30 June 2016 $

31. Business combinations (continued)

31.4 Investment in Ndola Kafubu Investments Limited

Fair value of assets and liabilities assumed				
Assets				
Investment in associate	–	9 076 831	–	–
	–	9 076 831	–	–
Liabilities				
Interest-bearing borrowings	–	(5 000 000)	–	–
	–	(5 000 000)	–	–
Identifiable assets acquired and liabilities assumed	–	4 076 831	–	–
Purchase consideration	–	4 076 831	–	–
Gain from bargain purchase	–	–	–	–
Purchase consideration	–	4 076 831	–	–
Less: cash and cash equivalents acquired	–	–	–	–
Net cash outflow	–	4 076 831	–	–

Grit acquired a 100% interest in Ndola Kafubu Investments Limited on 1 December 2015 for a net purchase consideration of US$4.08 million. Ndola Kafubu Investments Limited owns 50% of the share capital of Kafubu Mall Limited, a Zambian incorporated entity and the owner of the Kafubu Mall. The acquisition of Ndola Kafubu Investments Limited gives the Group access to high-quality African real estate in line with the strategy of the Group.

No goodwill or gain on bargain purchase materialised to Grit's acquisition of Ndola Kafubu Investments Limited and was calculated in terms of IFRS 3 Business Combinations.

In the financial period under review to 30 June 2016, Kafubu Mall Limited contributed dividends of US$453 070. Had the acquisition been done as from 1 July 2015, share of profit from associate would have increased by US$261 586.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2017

31. Business combinations (continued)

31.5 Investment in Abland Diversified Holdings Limited

	GROUP		COMPANY	
	Year ended 30 June 2017 $	Year ended 30 June 2016 $	Year ended 30 June 2017 $	Year ended 30 June 2016 $
Fair value of assets and liabilities assumed				
Assets				
Investment in associate	–	4 529 949	–	–
	–	4 529 949	–	–
Liabilities	–	–	–	–
Identifiable assets acquired and liabilities assumed	–	4 529 949	–	–
Purchase consideration	–	4 279 434	–	–
Gain from bargain purchase	–	(250 515)	–	–
Purchase consideration	–	4 279 434	–	–
Less: cash and cash equivalents acquired	–	–	–	–
Less: equity instruments	–	(2 914 434)		
Net cash outflow	–	1 365 000	–	–

Grit acquired a 100% interest in Abland Diversified Holdings Limited on 28 February 2016 for a net purchase consideration of US$4.28 million. Abland Diversified Holdings Limited owns 50% of the share capital of Buffalo Mall Naivasha Limited, a Kenyan incorporated entity and the owner of the Buffalo Mall. The acquisition of Abland Diversified Holdings Limited gives the Group access to high-quality African real estate in line with the strategy of the Group.

The gain on bargain purchase amounting to US$250 515 relates to Grit's acquisition of Abland Diversified Holdings Limited and was calculated in terms of IFRS 3 Business Combinations. The gain represents the amount by which the fair value of net assets acquired exceeds the consideration paid and has no impact on distributable earnings.

The gain on bargain purchase arose as a consequence of fairly valuing the underlying property, the Buffalo Mall, to its fair value at the date of acquisition, together with the measurement of deferred taxation at Mauritian company level, whereby any future sale of the building will be made at Abland Diversified Holdings Limited level through the sale of shares which is not subject to capital gains tax.

In the financial period under review to 30 June 2016, Buffalo Mall Naivasha Limited did not contribute any dividends. Had the acquisition been done as from 1 July 2015, share of profit from associates would have decreased by US$32 709.

	GROUP		COMPANY	
	Year ended 30 June 2017 $	Year ended 30 June 2016 $	Year ended 30 June 2017 $	Year ended 30 June 2016 $

31. Business combinations (continued)

31.6 Investment in CD Properties Limited

Fair value of assets and liabilities assumed				
Assets				
Investment properties	–	8 663 000	–	–
Other assets	–	4 037	–	–
Cash balances	–	96 042	–	–
Trade and other receivables	–	555 000	–	–
	–	9 318 079	–	–
Liabilities				
Trade and other payables	–	(818 191)	–	–
	–	(818 191)	–	–
Identifiable assets acquired and liabilities assumed	–	8 499 888	–	–
Purchase consideration	–	8 499 888	–	–
Gain from bargain purchase	–	–	–	–
Purchase consideration	–	8 499 888	–	–
Less: cash and cash equivalents acquired	–	(96 042)	–	–
Net cash outflow	–	8 403 846	–	–

Grit acquired a 100% interest in CD Properties Limited on 26 May 2016 for a net purchase consideration of US$8.5 million. CD Properties Limited owns 100% of the share capital of Gateway Limitada, a Mozambican incorporated entity and the owner of the Bollore Warehouse complex. The acquisition of CD Properties Limited gives the Group access to high-quality African real estate in line with the strategy of the Group.

Had CD Properties Limited and its subsidiary been acquired as from 1 July 2015, revenue and profit for the year would have been US$23.7 million and US$1 million respectively.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2017

32. Commitments

	GROUP		COMPANY	
	Year ended 30 June 2017 $	Year ended 30 June 2016 $	Year ended 30 June 2017 $	Year ended 30 June 2016 $
Capital commitments				
Acquisition of investment properties				
Approved and committed	**11 707 166**	57 250 597	**–**	–
	11 707 166	57 250 597	**–**	–
Operating leases – as lessee (expense)				
Minimum lease payments due				
Within one year	**649 151**	3 332 071		
Within the second to fifth year inclusive	**2 077 269**	18 438 451	**–**	–
	2 726 420	21 770 522	**–**	–
Operating leases – as lessor (income)				
Minimum lease payments receivable				
Within one year	**12 440 892**	8 250 070		
Within the second to fifth year inclusive	**45 667 263**	45 540 910	**–**	–
Later than five years	**67 004 167**	39 682 784	**–**	–
	125 112 323	93 473 764	**–**	–

Minimum lease payments comprise contractual rental income due in terms of signed lease agreements on investment properties.

These figures exclude the straight-line rental income accrual adjustments.

The lease agreements are non-cancellable and have terms from two to 10 years. There are no contingent rentals.

The Group has entered into purchase agreements for the following properties:

1) VDE accommodation compound – US$33.90 million of which US$5.62 million has been paid to date. The balance of US$27.47 will be due and payable on transfer of the property following successful subdivision of the property.
2) Beachcomber investment – EUR50.00 million of which EUR41.50 million has been paid to date. EUR5.30 million was paid subsequent to the financial year-end on the 22nd of August 2017 an the remaining EUR3.20 million will become due on or about the end of October upon completion of an additional 40 rooms at Le Victoria.
3) Imperial Distribution Center – US$19.87 million of which US$1.98 million has been paid to date. The balance of US$17.89 will be due and payable on transfer of the property. Subsequent to this reporting period the property has transferred succesfully on the 16th of August 2017 and all capital commitments honored.
4) Anadarko Phase II building – US$13.35 million of which US$10.07 million has been paid to date. The balance of US$3.28 million will become payable as the project completes construction which is expected in November 2017.

33. Related parties

Parties are considered related if one party has the ability to exercise control or significant influence over the other party in making financial or operational decisions.

Company	Relationships
Delta International Mauritius Limited	Subsidiaries
Delta International Bahrain SPC	Subsidiaries
DIF 1 Co Limited	Subsidiaries
Sal Investment Holdings Limited	Subsidiaries
HM&K Properties Limited	Subsidiaries
Freedom Property Fund SARL	Subsidiaries
S&C Imobiliaria Limitada	Subsidiaries
Commotor Limitada	Subsidiaries
Zimpeto Investment Holdings Limited	Subsidiaries
Zimpeto Imbiliaria Limitada	Subsidiaries
Kitwe Mukuba Investments Limited	Subsidiaries
Ndola Kafubu Investments Limited	Subsidiaries
Abland Diversified Holdings Limited	Subsidiaries
CD Properties Limited	Subsidiaries
BH Property Investments Limited	Subsidiaries
BME Kenya Investments Limited	Subsidiaries
Buffalo Mall Naivasha Limited	Associates
Kafubu Mall Limited	Associates
Mukuba Mall Limited	Associates
Freedom Asset Management Limited	Members of key management/Common directors
Bowwood and Main No 117 Proprietary Limited	Members of key management/Common directors
Delta Property Fund Limited	Members of key management/Common directors
Osiris Corporate Solutions (Mauritius) Limited	Members of key management/Common directors
Redefine Properties Limited	Members of key management/Common directors
Gateway Delta Development Limited	Members of key management/Common directors
Intercontinental Fund Services Limited	Members of key management/Common directors
Mara Viwandani Limited	Subsidiaries
Warehousely Limited	Subsidiaries
Gerania Limited	Subsidiaries
Mall de Tete Limitada	Subsidiaries
Mara Delta (Mauritius) Property Limited	Subsidiaries
Leisure Property Northern (Mauritius) Limited	Subsidiaries
Lusaka Cosmopolitan Investments Limited	Subsidiaries
Paradise Property Investments Limited	Subsidiaries
Zambian Property Holdings Limited	Subsidiaries
Lusaka Cosmopolitan Mall Limited	Subsidiaries

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

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33. Related parties (continued)

	GROUP		COMPANY	
	Year ended 30 June 2017 $	Year ended 30 June 2016 $	Year ended 30 June 2017 $	Year ended 30 June 2016 $
Related party Transactions and balances				
Delta International Mauritius Limited				
Interest received	**–**	–	**3 377 710**	3 692 424
Loan receivable	**–**	–	**255 859 234**	156 378 587
DIF 1 Co Limited				
Loan (payable)/receivable	**–**	–	**(239 465)**	10 535
Freedom Asset Management Limited				
Loan receivable	**783 386**	978 277	**472 105**	646 300
Asset management fees	**–**	(453 074)	**2 375 609**	2 375 609
Bowwood and Main No 117 Proprietary Limited				
Current account receivable	**8 328**	–	**3 612**	–
Amount included in trade and other payables	**–**	3 713		
Advisory fees	**457 409**	77 979	**–**	–
Freedom Property Fund SARL				
Loan receivable	**–**	–	**248 609**	248 609
Sal Investment Holdings Limited				
Current account receivable	**–**	–	**1 037 492**	24 160
Zimpeto Investment Holdings Limited				
Current account receivable	**–**	–	**15 498**	15 498
Kitwe Mukuba Investments Limited				
Current account receivable	**–**	–	**1 770**	1 770
Ndola Kafubu Investments Limited				
Current account receivable	**–**	–	**1 770**	1 770
HM&K Properties Limited				
Current account receivable	**–**	–	**8 060**	8 060
BH Property Investments Limited				
Current account receivable	**–**	–	**51 583**	2 237
Gateway Delta Developments Limited				
Loan receivable	**2 000 000**	–	**–**	–
Mara Delta Executive Share Trust				
Loan receivable	**9 930 890**	–	**9 930 890**	–
Redefine Properties Limited				
Loan payable	**1 365 000**	1 365 000	**–**	–

The above transactions are made in the normal course of business.

The terms and conditions of loans receivable are disclosed as per note 9. There have been no guarantees provided or received for any related party payables or receivables.

For the year ended 30 June 2017, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2016: $0.00). This assessment is undertaken at each reporting period through examining the financial position of the related parties and the market in which they operate. Key management personnel compensation relate to director's fees disclosed in note 22.

34. Risk management

Financial risk management

The Group's financial instruments consist mainly of deposits with banks, interest-bearing liabilities, trade and other receivables, trade and other payables. Exposure to market, credit and liquidity risk arises in the normal course of business.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial commitments as and when they fall due. This risk is managed by holding cash balances, overdraft facilities and by regularly monitoring cash flows. Further to this the Group has taken out Political Risk Insurance ("PRI") to cover the Group in the event of any potential Currency Inconvertability or Exchange Transfer limitations. The insurance cover for Mozambique cost 1.15% of the amount insured while the cost of the policy for Morocco is currently 0.40% per annum.

The Group will utilise undrawn facilities and cash on hand to meet its short-term funding requirements.

The non-current financial liabilities will be serviced through cash generated from operations and the restructuring of debt upon maturity.

The tables below set out the maturity analysis of the Group's and Company's financial assets and liabilities based on the undiscounted contractual cash flows.

	Weighted average effective interest rate %	Less than one year	One to two years	Two to three years	Three to five years	More than five years	Total
GROUP							
Financial liabilities							
Interest-bearing borrowings	**5.78%**	**62 019 620**	**54 385 231**	**43 644 261**	**115 133 016**	**6 341 607**	**281 523 735**
Preference shares	**6.25%**	**802 500**	**802 500**	**802 500**	**14 445 000**	**–**	**16 852 500**
Secured finance leases	**8.75%**	**60 988**	**60 988**	**60 988**	**76 235**	**–**	**259 197**
Trade and other payables	**–**	**13 110 922**	**–**	**–**	**–**	**–**	**13 110 922**
Bank overdraft	**3.73%**	**438 212**	**–**	**–**	**–**	**–**	**438 212**
		76 432 242	**55 248 719**	**44 507 748**	**129 654 251**	**6 341 607**	**312 184 567**

Trade and other payables excludes deposits received and income received in advance

As at 30 June 2016							
Financial liabilities							
Interest-bearing borrowings	6.22%	34 548 386	–	–	10 490 966	–	45 039 352
Trade and other payables	–	8 709 296	–	–	–	–	8 709 296
Bank overdraft	0.00%	–	–	–	–	–	–
		43 257 682	**–**	**–**	**10 490 966**	**–**	**53 748 648**

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34. Risk management (continued)

	Weighted average effective interest rate %	Less than one year	One to two years	Two to three years	Three to five years	More than five years	Total
COMPANY							
As at 30 June 2017							
Financial liabilities							
Interest-bearing borrowings	**6.30%**	**20 252 379**	**28 385**	**548 893**	**–**	**–**	**20 829 657**
Trade and other payables	**–**	**4 714 082**	**–**			**–**	**4 714 082**
		24 966 462	**28 385**	**548 893**	**–**	**–**	**25 543 740**
As at 30 June 2016							
Financial liabilities							
Interest-bearing borrowings	5.76%	20 000 000	–	–	–	–	20 000 000
Trade and other payables	–	1 485 492	–	–	–	–	1 485 492
		21 485 492	**–**	**–**	**–**	**–**	**21 485 492**

Interest rate risk

The Group manages its exposure to changes in interest rates by fixing interest rates in respect of borrowings. Interest rates were fixed subsequent to the financial period. The Group is exposed to interest rate risk through its variable rate cash balances and interest-bearing borrowings. At year-end, interest rates in respect of 50% (2016: 50%) of borrowings were fixed.

On the 12 August 2015, the Group entered into an interest rate swap to effectively fix the interest rate on US$26.60 million, representing 16.14% of the total interest-bearing borrowings at reporting date.

On the 1 March 2016, the Group entered into an interest rate swap to effectively fix the interest rate on US$5.53 million, representing 3.143% of the total interest-bearing borrowings at reporting date.

The weighted average effective rate of interest for the year was 5.78% (2016: 6.22%) based on the interest rates on long-term borrowings, short-term bridge funding and debt structuring fees capitalised.

An increase of 1% in the interest rate on floating rate borrowings will result in an increase to finance charges of US$1 896 676 for the Group and US$304 013 for the Company (2016: US$1 469 434 for the Group and US$218 968 for the Company) pre-tax per annum. This was based on calculating the effective interest rate of the Group and Company and adding 1% escalation to the effective interest rate.

Credit risk

Credit risk is the risk of financial loss to the Group and Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from trade and other receivables, cash and cash equivalents and loans to subsidiaries. There is no significant concentration of credit risk as exposure is spread over a large number of counterparties.

34. Risk management (continued)

The carrying amount of financial assets represents the maximum credit exposure. The maximum credit exposure to credit risk at the reporting date was:

$	GROUP		COMPANY	
	2017	2016	2017	2016
Financial instrument				
Cash and cash equivalents	**24 666 676**	17 771 821	**20 743 598**	46 947
Investments in subsidiaries	**–**	–	**61 645 566**	42 275 095
Loans to related parties	**12 722 604**	978 277	**267 391 158**	157 337 526
Loans receivable	**67 740 037**	–	–	–
Trade and other receivables[1]	**21 872 793**	14 347 556	**270 570**	261 414

[1] *Trade and other receivables exclude deposits paid, prepaid expenses, the adjustment account and debt structuring fees.*

Cash and cash equivalents
It is the Group's policy to deposit short-term cash investments with reputable financial institutions.

Trade and other receivables
Credit risk arises from the risk that a tenant may default or not meet its obligations timeously. The financial position of the tenants is monitored on an ongoing basis. Allowance is made for specific doubtful debts and credit risk is therefore limited to the carrying amount of the financial assets at financial year-end.

Loans to related parties
The credit risk of loans to related parties is minimal due to the fact that the underlying subsidiaries have properties which are currently generating rental income.

Foreign exchange risk
The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Moroccan Dirham and Mozambican Metical and to a lessor extend the Mauritian Rupee, Zambian Kwacha and Kenyan Shilling. Foreign exchange risk arises from future commercial Transactions, recognised assets and liabilities and net investments in foreign operations.

The Group has entered into US Dollar-denominated rental contracts with tenants within the Mozambican property portfolio. This will ensure that the Group is not exposed to a devaluation of rental income stemming from the Mozambican property portfolio. The rental contracts within the Moroccan property portfolio are not denominated in US Dollar.

Foreign currency exposure at the end of the reporting period

$	Kenyan Shilling	Bahraini Dinar	South African Rand	Euro	Moroccan Dirham	Mozam-bican Metical	Zambian Kwacha	Mauritian Rupee
Non-current assets								
Investment property	–	–	–	–	107 621 203	–	39 138 449	57 734 493
Other non-current assets	–	–	–	–	–	–	–	–
Current assets								
Trade and other receivables	125 838	–	–	–	4 043 975	764 912	–	71 000
Cash and cash equivalents	91 766	12 667	873 185	477 660	71 526	643 420	–	22 756
Total assets denominated in foreign currency	217 604	12 667	873 185	477 660	111 736 704	1 408 332	39 138 449	57 828 249
Liabilities								
Interest-bearing borrowings	–	–	–	(72 039 225)	–	(3 019 810)	–	–
Cash and cash equivalents	–	–	–	–	–	–	–	–
Trade and other payables	(221 427)	–	–	(72 039 225)	(4 699 848)	(3 394 786)	–	(682 042)
Total liabilities denominated in foreign currency	(221 427)	–	–	(71 561 565)	(4 699 848)	(6 414 596)	–	(682 042)
Net assets/(liabilities) denominated in foreign currency	(3 823)	12 667	873 185	477 660	107 036 856	(5 006 264)	39 138 449	57 146 207
Exchange rates used for conversion were:	103.707	0.375	13.05	0.875	9.65	59.09	9.13	34.47

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For the year ended 30 June 2017

34. Risk management (continued)

Profit is sensitive to movement in the below currencies due to the increased amount of US Dollar-denominated borrowings in-country. A 1% fluctuation in the below currencies against the US Dollar would have a post-tax impact of:

	GROUP	
US Dollar impact of approximately:	**2017**	**2016**
Moroccan Dirham	**(281 813)**	70 926
Mozambican Metical	**(5 869 276)**	594 307
Mauritian Rupee	**(1 013 937)**	(11 518)
South African Rand	**569 904**	–
Kenyan Shilling	**(19 821)**	–
Bahraini Dinar	**237**	–
Euro	**20 906**	–

35. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

$	Loans and receivables	Fair value through profit and loss – designated	Total
GROUP – 2017			
Loans to related parties	**12 722 604**	**–**	**12 722 604**
Loans receivable	**66 740 037**		**66 740 037**
Trade and other receivables[1]	**21 872 793**	**–**	**21 872 793**
Cash and cash equivalents	**24 666 676**	**–**	**24 666 676**
	126 002 111	**–**	**126 002 111**

$	Loans and receivables	Fair value through profit and loss – designated	Total
GROUP – 2016			
Loans to related parties	978 277	–	978 277
Trade and other receivables[1]	14 347 556	–	14 347 556
Cash and cash equivalents	17 771 821	–	17 771 821
	33 097 654	–	33 097 654

$	Loans and receivables	Fair value through profit and loss – designated	Total
COMPANY – 2017			
Investment in subsidiaries	**–**	**61 645 566**	**61 645 566**
Loans to related parties	**267 391 158**	**–**	**267 391 158**
Trade and other receivables[1]	**270 570**	**–**	**270 570**
Cash and cash equivalents	**20 743 598**	**–**	**20 743 598**
	288 405 326	**61 645 566**	**350 050 892**

$	Loans and receivables	Fair value through profit and loss – designated	Total
COMPANY – 2016			
Investment in subsidiaries	–	42 275 095	42 275 095
Loans to related parties	157 337 526	–	157 337 526
Trade and other receivables[1]	261 414	–	261 414
Cash and cash equivalents	46 947	–	46 947
	157 645 887	42 275 095	199 920 982

[1] *Trade and other receivables exclude deposits paid, prepaid expenses, the adjustment account and debt structuring fees.*

36. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

$	Financial liabilities at amortised cost	Total
GROUP – 2017		
Interest-bearing borrowings	**235 406 762**	**235 406 762**
Preference shares	**12 840 000**	**12 840 000**
Secured finance leases	**215 813**	**–**
Trade and other payables[1]	**13 110 922**	**13 110 922**
Bank overdraft	**438 212**	**438 212**
	262 011 710	**262 011 710**

$	Financial liabilities at amortised cost	Total
GROUP – 2016		
Interest-bearing borrowings	161 618 569	161 618 569
Trade and other payables[1]	1 485 492	1 485 492
	163 104 061	163 104 061

$	Financial liabilities at amortised cost	Total
COMPANY – 2017		
Interest-bearing borrowings	**19 839 627**	**19 839 627**
Trade and other payables[1]	**4 714 082**	**4 714 082**
	24 553 709	**24 553 709**

$	Financial liabilities at amortised cost	Total
COMPANY – 2016		
Interest-bearing borrowings	20 000 000	20 000 000
Trade and other payables[1]	1 485 492	1 485 492
	21 485 492	21 485 492

[1] *Trade and other payables exclude deposits received and income received in advance.*

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37. Fair value hierarchy

The different levels have been defined as:

Level 1 – fair value is determined from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – fair value is determined through the use of valuation techniques based on observable inputs, either directly or indirectly.

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

GROUP – 2017	Level 1	Level 2	Level 3	Fair value
Financial instruments	**(18 724)**	–	–	–
COMPANY – 2017	**Level 1**	**Level 2**	**Level 3**	**Fair value**
Investment in subsidiaries	–	–	**61 645 566**	–
GROUP – 2016	**Level 1**	**Level 2**	**Level 3**	**Fair value**
Financial instruments	**(554 212)**	–	–	–
COMPANY – 2016	**Level 1**	**Level 2**	**Level 3**	**Fair value**
Investment in subsidiaries	–	–	**42 275 095**	**42 275 095**

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

The following valuation techniques and significant unobservable inputs are as follows:

- Investments in subsidairies are measured at fair value based on the net asset value of its investment and underlying subsidiaries together with the property structure tax considerations. There are no significant unobservable inputs used in the fair value estimation.
- The fair value of investment property has been categorised as level 3 under fair value hierachy based on the inputs to the valuation technique used. Refer to note 3 for the level 3 reconciliation.

38. Capital management

To provide returns for shareholders and benefits for other stakeholders and to maintain optimal structure to reduce the cost of capital, the Group policy maintains an adequate capital base. The Company is funded by bank debt, market funding, and new equity.

In terms of its Memorandum of incorporation, the Company has unlimited borrowing capacity. The Group's borrowings, excluding debentures are maintained at 50% of the value of the consolidated property portfolio.

As at 30 June 2017, the unutilised borrowing capacity was as follows:

	GROUP		COMPANY	
	2017 $	2016 $	2017 $	2016 $
Investment property	**351 822 336**	248 545 665	**–**	–
Loan related to property assets	**66 740 037**	–	**–**	–
Investment in associates	**89 049 264**	45 945 339	**–**	–
Investment in subsidiaries	**–**	–	**61 645 566**	42 275 095
	507 611 637	294 491 004	**61 645 566**	42 275 095
50% thereof	**253 805 819**	147 245 502	**30 822 783**	21 137 548
Net borrowings	**235 406 762**	149 948 569	**19 839 627**	20 000 000
Gross borrowings	**248 246 762**	161 618 569	**19 839 627**	20 000 000
Less: Committed cash	**–**	(11 670 000)	**–**	–
Unutilised borrowing capacity	**5 559 057**	(2 703 067)	**10 983 156**	1 137 548
Gearing	**48.9%**	50.9%	**32.2%**	47.3%

The board's policy is to maintain a strong capital base, comprising its shareholders'/unitholders' interest, so as to maintain investor, creditor and market confidence and to sustain future development of the business. It is the Group's stated purpose to deliver long-term sustainable growth in distributions per share.

39. Events after the reporting period

Event 1
Grit facilitated a transformation ("BEE") structure between Drive in Trading (Pty) Ltd ("DIT") as BEE partner, the Public Investment Corporation SOC Limited ("PIC") on behalf of the Government Employees Pension Fund ("GEPF") as guarantor and Grit as Co Guarantor to enable Drive in Trading to obtain long term financing for the shares in Grit acquired as part of the Rights Issue undertaken in June 2017 (the "Transaction").

As Grit's contribution to the Transaction, the Company entered into a put option agreement with the GEPF, where by in an event of default the GEPF has the option to assign 50% of all amounts due on the loan up to a maximum amount of USD17.5m. The obligation of USD 17.5m is dependent on shareholders approving the Transaction. Grit's obligation in terms of the put option agreement will be limited to USD12.5m to the extent that shareholders do not approve the Transaction.

Grit is committed to supporting the underlying economies of its operations and to being a responsible corporate citizen of these economies in Africa. As a large portion of Grit's shareholders are based in South Africa, and Grit is listed on the main board of the JSE, it is imperative that the Company abides by the principles of transformation in South Africa. The implementation of the Transaction will encourage South African banks and investors to continue to support future capital raises, enabling Grit to grow the Company's investment base, enhance liquidity and ultimately create value for all shareholders.

Full details of the proposed transaction will be communicated via a circular.

Event 2
The 13 560m^2 Imperial Health Sciences logistics warehouse located in Nairobi, Kenya was registered on 16 August 2017. The total purchase price is US$19.87 million. During the financial year under review the Group paid the deposit and transfer fees. The balance of the purchase consideration was settled in September 2017.

Event 3
The VDE Compound in Tete, Mozambique, consisting of 83 villas and 40 apartments, with a purchase price of US$33.9 million are expected to physically transfer in the last quarter of 2017 once the subdivision of the property is completed. The risks and rewards of ownership have already passed to the Group on 1 December 2015.

Event 4

The acquisition of a 44.4% interest in an entity owning three Beachcomber hotel assets in Mauritius, namely Victoria Resort and Spa, Canonnier Resort and Spa and Mauricia Resort and Spa, for a total consideration of EUR50.0 million. The initial financial commitments of EUR21.5 million were made in December 2016 and further deposits of EUR20 million was paid in June 2017. Regulatory approval has now been obtained and transfer of the shares has taken place in September 2017 after a further EUR5.3 million have been settled.

40. Going concern

The directors are of the opinion that the Group has adequate resources to continue operating for the forseeable 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 forseeable cash requirements.

The directors also would like to highlight the fact that at 30 June 2017 the current liabilities exceeds the current assets by US$18 million for the Group. The directors are, however, confident that the Group and Company will be able to meet it's obligations in the short and long-term. US$13 million of short-term debt included in current liabilities has been settled with a five-year term facility with Bank of China on 7 July 2017. The position will further be corrected with future capital raises whereby large cash injections are expected to flow within the Group.

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41. Segmental information

The Group reports on a segmental basis in terms of geographical location and type of property. Geographical location is split between Morocco, Mozambique, Zambia, Kenya and Mauritius and in terms of type of property, the Group has investments in the retail and office sectors.

Geographical location 2017	Morocco $	Mozambique $	Zambia $	Kenya $	Mauritius $	Total $
Gross rental income	9 330 159	12 706 936	–	–	2 292 475	24 329 570
Straight-line rental income accrual	218 642	747 454	–	–	166 047	1 132 143
Revenue	9 548 801	13 454 390	–	–	2 458 522	25 461 713
Income from associate	–	–	9 721 718	(2 100 491)	–	7 621 227
Property operating expenses	(5 399 508)	(1 275 642)	–	–	(494 966)	(7 170 116)
Net property rental and related income	4 149 293	12 178 748	9 721 718	(2 100 491)	1 963 556	25 912 824
Other income	–	3 274 668	–	–	–	3 274 668
Administrative expenses	(403 114)	(437 670)	(16 170)	(16 323)	(4 728 160)	(5 601 436)
Profit/(loss) from operations	3 746 179	15 015 746	9 705 548	(2 116 814)	(2 764 604)	23 586 056
Acquisition fees	–	(120 159)	–	–	(654 245)	(774 404)
Set-up and merger costs	–	(121 518)	–	–	(270 434)	(391 952)
Fair value adjustment on investment property	–	2 875 520	–	–	60 600	2 936 120
Fair value adjustment on financial instruments	–	–	–	–	103 624	103 624
Gain from bargain purchase	–	–	–	–	957 837	957 837
Foreign currency (loss)/gain	(1 640 767)	3 704 681	–	–	(1 285 274)	778 640
(Loss)/profit before interest and taxation	2 105 412	21 354 270	9 705 548	(2 116 814)		27 195 921
Interest income	297 392	7 685	–	–	1 688 439	1 993 516
Finance costs	(2 607 463)	(4 020 105)	(776 447)	–	(3 566 546)	(10 970 561)
(Loss)/profit for the period before tax	(204 659)	17 341 850	8 929 101	(2 116 814)		18 218 876
Current tax expense	(6 909)	7 351	–	–	(32 768)	(32 326)
Deferred tax expense	(56 780)	(398 085)	–	–	–	(454 865)
(Loss) /profit for the period after tax	(268 348)	16 951 116	8 929 101	(2 116 814)		17 731 685
Reportable segment assets and liabilities						
Assets						
Investment property at fair value	105 176 046	162 347 914	–	–	78 326 539	345 850 499
Straight-line rental income accrual	2 445 157	3 055 350	–	–	471 330	5 971 837
Property, plant and equipment	696 830	104 265	–	–	1 131 426	1 932 521
Intangible assets	15 906	1 855	–	–	5 674 429	5 692 190
Investment in associates	–	–	85 901 296	3 147 968	–	89 049 264
Related party loans	–	–	–	–	12 722 604	12 722 604
Other financial assets	–	–	–	–	66 740 037	66 740 037
Deferred tax	–	6 174 482	–	–	–	6 174 482
Total non-current assets	108 333 939	171 683 866	85 901 296	3 147 968	165 066 365	534 133 434

41. Segmental information (continued)

Geographical location 2017	Morocco $	Mozambique $	Zambia $	Kenya $	Mauritius $	Total $
Current assets	9 125 083	13 859 397	–	–	28 037 547	51 022 027
Current tax receivable	(28 915)	419 849	–	–	47 897	438 831
Cash and cash equivalents	84 192	1 290 134	–	–	23 289 623	24 666 676
	117 459 022	185 543 263	85 901 296	3 147 968	193 103 912	585 155 461
Liabilities						
Total liabilities	57 609 819	56 492 479	–	–	156 328 444	270 430 742
	57 609 819	56 492 479	–	–	156 328 444	270 430 742

Type of property 2017	Hospitality $	Retail $	Office $	Light Industrial $	Accom-modation $	Corporate $	Total $
Gross rental income	882 317	11 574 750	10 791 290	1 081 213	–	–	24 329 570
Straight-line rental income accrual	–	170 853	961 290	–	–	–	1 132 143
Revenue	882 317	11 745 603	11 752 580	1 081 213	–	–	25 461 713
Income from associate	–	7 621 227	–	–	–	–	7 621 227
Property operating expenses	–	(5 688 733)	(1 271 487)	(139 981)	(69 915)	–	(7 170 116)
Net property rental and related income	882 317	13 678 097	10 481 093	941 232	(69 915)	–	25 912 824
Other income	–	–	198	–	3 274 470	–	3 274 668
Administrative expenses	(630 368)	(631 660)	(444 931)	(41 331)	–	(3 853 146)	(5 601 436)
Profit/(loss) from operations	251 949	13 046 437	10 036 360	899 901	3 204 555	(3 852 146)	23 586 056
Acquisition fees	–	(13 381)	(99 009)	(7 769)	–	(654 245)	(774 404)
Set-up and merger costs	(11 795)	(4 603)	(120 451)	(1 464)	–	(253 639)	(391 952)
Fair value adjustment on investment property	714 008	402 093	3 983 019	(2 163 000)	–	–	2 936 120
Fair value adjustment on financial instruments	–	–	103 624	–	–	–	103 624
Gain from bargain purchase	–	–	–	–	–	957 837	957 837
Foreign currency (loss)/gain	(701 589)	887 661	2 072 128	(294 492)	–	(1 185 068)	778 640
(Loss)/profit before interest and taxation	252 573	14 318 207	15 975 671	(1 566 824)	3 204 555	(4 988 261)	27 195 921
Interest income	978 342	297 798	32 166	7 013	–	678 197	1 993 516
Finance costs	(518 783)	(4 180 365)	(3 689 149)	(111)	–	(2 582 153)	(10 970 561)
(Loss)/profit for the period before tax	712 132	10 435 640	12 318 688	(1 559 922)	3 204 555	(6 892 217)	18 218 876
Current tax expense	–	(2 969)	7 523	(4 112)	–	(32 768)	(32 326)
Deferred tax expense	–	42 303	(624 507)	127 339	–	–	(454 865)
(Loss) /profit for the period after tax	712 132	10 474 974	11 701 704	(1 436 695)	3 204 555	(6 924 985)	17 731 685

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41. Segmental information (continued)

Type of property 2017	Hospitality $	Retail $	Office $	Light Industrial $	Accom-modation $	Corporate $	Total $
Reportable segment assets and liabilities							
Assets							
Investment property at fair value	43 867 765	142 151 203	132 268 155	6 500 000	–	21 063 376	345 850 499
Straight-line rental income accrual	–	2 544 939	3 426 898	–	–	–	5 971 837
Property, plant and equipment	–	698 787	102 308	–	–	1 131 426	1 932 521
Intangible assets	–	15 906	556 267	–	–	5 120 017	5 692 190
Investment in associates	–	89 049 264	–	–	–	–	89 049 264
Related party loans	–	–	45 000	–	–	12 677 604	12 722 604
Other financial assets	47 409 174	–	–	–	–	19 330 863	66 740 037
Deferred tax	–	(266 077)	6 310 360	130 199	–	–	6 174 482
Total non-current assets	91 276 939	234 194 022	142 708 988	6 630 199	–	59 323 286	534 133 434
Current assets	1 025 110	15 459 984	2 375 730	426 753	5 191 890	26 542 559	51 022 027
Current tax receivable	–	(2 458)	398 480	41 728	–	1 081	438 831
	92 302 049	249 654 006	145 084 718	7 056 952	5 191 890	85 865 845	585 155 461
Liabilities							
Total liabilities	48 823 413	60 845 240	60 957 698	243 003	–	99 561 387	270 430 742
	48 823 413	60 845 240	60 957 698	243 003	–	99 561 387	270 430 742

Major customers

Rental income stemming from Vodacom Mozambique represented approximately US$4.37 million (2016:$4.37 million) of the Group's total contractual rental income.

41. Segmental information (continued)

Geographical location 2016	Morocco $	Mozambique $	Zambia $	Kenya $	Mauritius $	Total $
Gross rental income	10 341 658	9 863 570	–	–	673 230	20 878 458
Straight-line rental income accrual	630 031	1 282 085	–	–	305 283	2 217 399
Revenue	**10 971 689**	**11 145 655**	**–**	**–**	**978 513**	**23 095 857**
Income from associate	–	–	3 213 569	6 297	–	3 219 866
Property operating expenses	(4 602 647)	(1 134 596)	–	–	(31 781)	(5 769 024)
Net property rental and related income	**6 369 042**	**10 011 059**	**3 213 569**	**6 297**	**946 732**	**20 546 699**
Other income	329 464	1 993 239	–	–	611 079	2 933 782
Administrative expenses	(1 106 264)	(1 238 365)	(10 730)	(19 091)	(1 488 674)	(3 856 608)
Profit/(loss) from operations	**5 592 242**	**10 765 933**	**3 202 839**	**(12 794)**	**69 137**	**19 623 873**
Acquisition fees	–	(474 883)	–	–	(515 455)	(990 338)
Set-up and merger costs	(384 347)	(159 938)	(2 900)	–	(301 277)	(848 462)
Fair value adjustment	(4 816 060)	1 050 000	–	6 516	(99 197)	(3 858 741)
Gain from Bargain Purchase	–	–	–	–	250 515	250 515
Foreign currency (loss)/gain	(1 198 202)	4 497 846	–	–	(535 870)	2 763 774
(Loss)/profit before interest and taxation	**(806 367)**	**15 678 958**	**3 199 939**	**(6 278)**	**(1 132 147)**	**16 940 621**
Interest income	–	–	–	–	170 158	170 158
Finance costs	(3 490 559)	(3 353 663)	(561 643)	–	(2 292 402)	(9 698 267)
(Loss)/profit for the period before tax	**(4 296 926)**	**12 325 295**	**2 638 296**	**(6 278)**	**(3 254 391)**	**7 412 512**
Current tax expense	–	(1 493 959)	–	–	–	(1 493 959)
Deferred tax expense	(479 201)	(3 511 355)	–	–	45 792	(3 944 764)
(Loss)/profit for the period after tax	**(4 776 127)**	**7 319 981**	**2 638 296**	**(6 278)**	**(3 208 599)**	**1 973 789**
Reportable segment assets and liabilities						
Assets						
Investment property at fair value	98 395 047	128 925 104	3 000 000	–	13 385 821	243 705 971
Straight-line rental income accrual	2 226 515	2 307 896	–	–	305 283	4 839 694
Property, plant and equipment	346 517	82 048	–	–	374 675	803 240
Investment in associates	–	–	41 420 485	4 518 338	–	45 945 338
Other non-current assets	15 635	5 987 416	–	–	6 658 567	12 661 619
Current assets	13 313 499	16 778 678	235 909	4 164	5 541 037	35 873 287
	114 297 213	**154 081 142**	**44 656 394**	**4 522 502**	**26 265 383**	**343 829 149**
Liabilities						
Total liabilities	58 115 597	59 078 563	19 216 196	10 220	44 036 124	180 456 700
	58 115 597	**59 078 563**	**19 216 196**	**10 220**	**44 036 124**	**180 456 700**

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2017

41. Segmental information (continued)

Type of property 2016	Retail $	Office $	Light Industrial $	Accom-modation $	Corporate $	Total $
Gross rental income	11 197 234	9 606 224	75 000	–	–	**20 878 458**
Straight-line rental income accrual	766 487	1 450 912	–	–	–	**2 217 399**
Revenue	**11 963 721**	**11 057 136**	**75 000**	**–**	**–**	**23 095 857**
Income from associate	3 219 866	–	–	–	–	**3 219 866**
Property operating expenses	(4 844 152)	(924 872)	–	–	–	**(5 769 024)**
Net property rental and related income	**10 339 435**	**10 132 264**	**75 000**	**–**	**–**	**20 546 699**
Other income	329 612	5 756	–	1 987 335	611 079	**2 933 782**
Administrative expenses	(1 228 756)	(1 131 463)	–	–	(1 502 905)	**(3 856 608)**
Profit/(loss) from operations	**9 440 291**	**9 006 557**	**75 000**	**1 987 335**	**(891 826)**	**19 623 873**
Acquisition fees	(102 000)	(529 329)	–	–	(359 009)	**(990 338)**
Set-up and merger costs	(428 023)	(128 466)	–	–	(291 973)	**(848 462)**
Fair value adjustment	(3 959 544)	100 803	–	–	–	**(3 858 741)**
Gain from bargain purchase	–	–	–	–	250 515	**250 515**
Foreign currency (loss)/gain	(1 914 652)	4 683 448	–	–	(5 622)	**2 763 774**
Profit before interest and taxation	**3 036 672**	**13 133 013**	**75 000**	**1 987 335**	**(1 297 915)**	**16 940 621**
Interest income	559	–	–	–	169 599	**170 158**
Finance costs	(3 356 831)	(4 217 529)	–	–	(2 123 907)	**(9 698 267)**
(Loss)/profit for the period before tax	**(319 600)**	**8 915 484**	**75 000**	**1 987 335**	**(3 252 223)**	**7 412 512**
Current tax expense	(111 948)	(1 382 011)	–	–	–	**(1 493 959)**
Deferred tax expense	(534 884)	(3 409 880)	–	–	–	**(3 944 764)**
(Loss)/profit for the period after tax	**(966 432)**	**4 123 593**	**75 000**	**1 987 335**	**(3 252 223)**	**1 973 789**
Reportable segment assets and liabilities						
Assets						
Investment property at fair value	112 308 591	117 114 380	8 663 000	5 620 000	–	**243 705 971**
Straight-line rental income accrual	2 362 970	2 476 724	–	–	–	**4 839 694**
Property, plant and equipment	346 516	82 050	–	–	374 675	**803 240**
Investment in associates	45 945 340	–	–	–	–	**45 945 338**
Other non-current assets	15 635	6 550 734	–	–	6 095 250	**12 661 619**
Current assets	13 796 910	17 289 709	647 843	1 987 335	2 151 490	**35 873 287**
	174 775 962	**143 513 597**	**9 310 843**	**7 607 335**	**8 621 415**	**343 829 149**
Liabilities						
Total liabilities	80 507 020	64 526 372	29 316	–	35 393 992	**180 456 700**
	80 507 020	**64 526 372**	**29 318**	**–**	**35 393 992**	**180 456 700**

42. Three-year summary

	GROUP		
	Year ended 30 June 2017 $	**Year ended 30 June 2016 $**	**Year ended 30 June 2015 $**
Statement of published results and assets and liabilities			
Revenue	**25 461 713**	23 095 857	16 540 493
Share of profit from asociates	**7 621 227**	3 219 866	–
Profit/(loss) before taxation	**18 218 876**	7 412 512	878 984
Income tax expense	**(487 191)**	(5 438 723)	(78 542)
Profit/(loss) for the year	**17 731 685**	1 973 789	183 380
Other comprehensive income	**1 065 619**	783 491	(838 254)
Total comprehensive income	**18 797 304**	2 757 280	(654 874)
Basic earnings/(loss) per share	**16.06**	2.42	0.39
Headline earnings/(loss) per share	**8.65**	5.09	(16.73)
Dividend per share	**12.07**	11.75	11.28
Statement of financial position			
Assets			
Non-current assets	**534 133 434**	307 955 862	210 697 838
Current assets	**51 022 027**	35 873 287	25 342 655
Total non-current liabilities	**585 155 461**	343 829 149	236 040 493
Equity and liabilities			
Capital and reserves	**314 724 719**	163 372 448	124 412 822
Total non-current liabilities	**314 724 719**	163 372 448	124 412 822
Liabilities			
Non-current liabilities	**201 357 330**	127 905 829	11 298 171
Current liabilities	**69 073 412**	52 550 872	100 329 500
Total non-current liabilities	**270 430 742**	180 456 701	111 627 671
Total equity and liabilities	**585 155 461**	343 829 149	236 040 493

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2017

43. Headline earnings and distributable earnings

	GROUP Unaudited Year ended 30 June 2017 $	GROUP Unaudited Year ended 30 June 2016 $
Reconciliation of earnings, headline earnings and distributable earnings		
Basic earnings	**17 731 685**	1 973 789
Less: Fair value adjustments on investment property (net of deferred taxation)	**(2 936 120)**	3 759 543
Gain from bargain purchase	**(957 837)**	(250 515)
Fair value adjustment on investment in associate	**(4 181 163)**	(1 418 401)
Fair value adjustment on financial instruments	**(103 624)**	99 198
Headline earnings/(loss) attributable to shareholders	**9 552 942**	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	**774 404**	990 338
Share in income from associates	**1 786 328**	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 released/(retained)	**(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 profit/(loss) per share (cents)	**16.06**	2.42
Headline diluted loss earnings per share (cents)	**8.65**	5.09
Distribution per share		
Distribution per share (cents) – interim	**6.12**	6.17
Distribution per share (cents) – clean out prior to rights issue	**4.57**	5.58
Distribution per share (cents) – final (declared after 30 June)	**1.38**	–
Distribution per share (cents) – full year	**12.07**	11.75

Shareholder information

ANALYSIS OF ORDINARY SHAREHOLDERS

as at 30 June 2017

Shareholder Spread	Number of Shareholdings	% of total shareholdings	Number of Shares	% of issued Capital
1–1,000	121	27.75	37 086	0.02
1,001–10,000	159	36.47	679 939	0.33
10,001–100,000	95	21.79	3 767 145	1.81
100,001–1,000,000	43	9.86	13 915 674	6.67
Over 1,000,000	18	4.13	190 114 417	91.18
Total	**436**	**100.00**	**208 514 261**	**100.00**
Assurance Companies	2	0.46	2 223 867	1.07
Close Corporations	9	2.06	110 414	0.05
Collective Investment Schemes	28	6.42	15 469 194	7.42
Custodians	7	1.61	507 874	0.24
Foundations & Charitable Funds	1	0.23	39 500	0.02
Hedge Funds	5	1.15	1 473 385	0.71
Insurance Companies	1	0.23	73 530	0.04
Managed Funds	6	1.38	9 454 314	4.53
Medical Aid Funds	1	0.23	340 890	0.16
Organs of State	1	0.23	65 998 116	31.65
Private Companies	40	9.17	68 635 629	32.92
Public Companies	2	0.46	23 891 635	11.46
Retail Shareholders	286	65.60	3 349 093	1.61
Retirement Benefit Funds	18	4.13	12 291 343	5.89
Scrip Lending	1	0.23	503 291	0.24
Stockbrokers & Nominees	7	1.61	3 819 544	1.83
Trusts	21	4.82	332 642	0.16
Total	**436**	**100.00**	**208 514 261**	**100.00**
Non-Public Shareholders	**10**	**2.29**	**15 751 565**	**7.55**
Directors and Associates (direct holdings)	1	0.23	552 097	0.26
Directors and Associates (indirect holdings)	9	2.06	15 199 468	7.29
Holders of more than 10	**3**	**0.69**	**113 114 892**	**54.25**
Delta Property Fund (excludes directors indirect holdings)	1	0.23	23 866 776	11.45
Government Employees Pension Fund	1	0.23	65 998 116	31.65
Drive in Trading (Pty) Ltd	1	0.23	23 250 000	11.15
Public Shareholders	**423**	**97.02**	**79 647 804**	**38.20**
Total	**436**	**100.00**	**208 514 261**	**100.00**

Fund managers with a holding greater than 3% of the issued shares	Number of Shares	% of issued Capital
Public Investment Corporation	65 998 116	31.65
Eskom Pension & Provident Investment Management	10 897 433	5.23
Freedom Asset Management	8 958 493	4.30
Stanlib Asset Management	8 242 693	3.95
Bridge Fund Managers	6 775 702	3.25
Total	**100 872 437**	**48.38**

Beneficial shareholders with a holding greater than 3% of the issued shares	Number of Shares	% of issued Capital
Government Employees Pension Fund	65 998 116	31.65
Delta Property Fund Ltd	23 866 776	11.45
Drive in Trading (Pty) Ltd	23 250 000	11.15
Pivotal Global (Pty) Ltd	13 187 535	6.32
Eskom Pension & Provident Fund	10 897 433	5.23
Transformers Investment Ltd	10 709 853	5.14
Freedom Asset Management	8 958 493	4.30
Sericea Holdings Ltd	7 503 013	3.60
Total	**164 371 219**	**78.83**

Total number of shareholdings	**436**
Total number of shares in issue	**208 514 261**

Share Price Performance	SEM	JSE
Opening Price 01 July 2016	USD1.74	R18.00
Closing Price 30 June 2017	USD1.43	R16.50
Closing High for period	USD1.74	R19.50
Closing low for period	USD1.38	R15.76

Shareholders diary

Financial year-end	30 June 2017
Announcement of annual results – 2017	21 September 2017
Integrated Annual report posted	26 October 2017
Annual general meeting	24 November 2017
Announcemnet of interim results – 31 December 2017	Mid-March 2018

GLOSSARY

AGM	Annual General Meeting
AFS	Company and Group Annual Financial Statements
Board	Board of Directors
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIO	Chief Integration Officer
COO	Chief Operating Officer
CPI	Consumer Price Index
cps	cents per share
DPS	Dividend per share
Grit or the Company	Grit Real Estate Income Group Limited
Grit Group or Group	Grit and its subsidiaries and associates
Exco	Executive Committee or Executive Management
FAM	Freedom Asset Management Limited
GAV	Gross Asset Value
GDP	Gross domestic product
GLA	Gross lettable area
IFRS	International Financial Reporting Standards
IT	Information Technology
JSE	Johannesburg Stock Exchange
King IV	King IV Report on Corporate Governance for South Africa 2016
LTI	Long-Term Incentive
m	Million
m^2 or sqm	Square metres
SEM	Stock Exchange of Mauritius Limited
SENS	The Stock Exchange News Service of the JSE
STI	Short-Term Incentive
US$ or $ or USD	United States Dollar
WACD	Weighted average cost of debt
WALE	Weighted average lease expiry

NOTES

NOTES

COMPANY INFORMATION AND ADVISORS

Company Secretary and registered office

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

Sponsor in Mauritius

AXYS
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Caudan,
Port Louis, 11307
Mauritius

Registrar and transfer agent in Mauritius

Intercontinental Secretarial Services Limited
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35 Cybercity
Ebène, 72201
Mauritius

Legal advisor in Mauritius

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35 Cybercity
Ebène, 72201
Mauritius

SEM authorised representative and sponsor

Perigeum Capital Limited
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35 Cybercity
Ebène, 72201
Mauritius

Transfer secretaries in South Africa

Computershare Investor Services Proprietary Limited
Rosebank Towers, 15 Biermann Avenue
Rosebank
Johannesburg, 2196
South Africa

Sponsor in South Africa

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35 Kerk Street
Stellenbosch, 7600
South Africa

Legal advisor in South Africa

Bowman Gilfillan Inc.
165 West Street
Sandton, 2146
South Africa

Date and place of incorporation

Incorporated on 16 May 2012 in Bermuda and registered by Continuation as a Public Company in Mauritius on 11 March 2015.


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Real estate income group
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