

DIRECTORS' COMMENTARY

NATURE OF THE BUSINESS

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

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

REVIEW

The financial results of the first quarter of the 2018 financial year reflects deployment of the proceeds of the recently concluded rights offer and the positive financial impact of the resultant assets transferred, together with the consistent performance from the current property portfolio during the quarter.

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

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

Material changes to the debt facilities were as follows:

- Bank of China paid out the long-term debt of US\$37.56m for the acquisition of Cosmopolitan Mall in Lusaka, Zambia, the proceeds of the loan was utilised to settle the existing debt with Rockcastle and Standard Bank. The loan was priced at Libor + 4.0%.
- Bank of China disbursement of a loan of US\$8.55m for the settlement of the Imperial Health Sciences Logistics Warehouse acquisition in Nairobi, Kenya. The loan was priced at Libor + 4.0%
- As part of Grit’s hedging strategy to convert the Revolving Credit Facility from USD to EUR, the Company secured a dual-currency facility from Barclays Mauritius amounting to US\$20.0m (or EUR17.1m). Post the period-end an AfrAsia Revolving Credit Facility of Eur10m was granted. The above loans attract interest at Euro Libor plus 3.5% and 3.8% respectively.

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

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

	Unaudited for the three months ended 30 September 2017 US\$	Audited for the year ended 30 June 2017 US\$	Unaudited for the three months ended 30 September 2016 US\$
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME			
Gross rental income	7,381,946	24,329,570	5,703,841
Straight-line rental income accrual	481,160	1,132,143	481,833
Revenue	7,863,106	25,461,713	6,185,674
Income from associates	2,776,250	7,621,227	1,984,547
Property operating expenses	(1,411,633)	(7,170,116)	(1,535,557)
Net property income	9,227,723	25,912,824	6,634,664
Other income	811,061	3,274,668	617,001
Administrative expenses	(1,442,545)	(5,601,436)	(1,468,620)
Profit from operations	8,596,239	23,586,056	5,783,045
Acquisition fees and set-up costs	(254,496)	(1,166,356)	(177,389)
Fair value adjustment on investment property¹	–	2,936,120	(47,548)
Fair value adjustment on financial instruments	(54,518)	103,624	39,998
Gain from bargain purchase	–	957,837	–
Foreign currency gains/(losses)	1,123,789	778,640	29,306
Profit before interest and taxation	9,411,014	27,195,921	5,627,412
Interest income	1,308,658	1,993,516	119,225
Finance costs	(4,099,145)	(10,970,561)	(1,778,684)
Profit for the period before tax	6,620,527	18,218,876	3,967,953
Current tax expense	–	(32,326)	(835,313)
Deferred tax income/(expense)	322,253	(454,865)	1,211,518
Profit for the period after tax	6,942,780	17,731,685	4,344,158
Profit/(loss) on translation of functional currency	47,563	1,065,619	(34,087)
Other comprehensive income	–	–	–
Total comprehensive income	6,990,343	18,797,304	4,310,071
¹Fair value adjustment on investment property relates to revaluing investment properties which is performed on a six monthly basis.			
	Unaudited for the three months ended 30 September 2017 US\$	Audited for the year ended 30 June 2017 US\$	Unaudited for the three months ended 30 September 2016 US\$
Reconciliation of basic earnings and headline earnings			
Basic earnings	6,942,780	17,731,685	4,344,158
Less: Fair value adjustments on investment property (net of deferred taxation)	–	(2,936,120)	47,548
Gain from bargain purchase	–	(957,837)	–
Share of value adjustment on investment property accounted by associate	–	(4,181,162)	–
Fair value adjustments on financial instruments	54,518	(103,624)	(39,998)
Headline earnings/(loss) attributable to shareholders	6,997,298	9,552,942	4,351,708
Number of shares in issue at interim	208,514,261	111,787,042	100,061,130
Number of shares in issue at quarter/year-end	208,514,261	208,514,261	100,706,571
Weighted average number of shares	208,514,261	110,435,576	100,341,757
Earnings per share			
Basic and diluted profit per share (cents)	3.33	16.06	4.33
Headline and diluted headline earnings/(loss) per share (cents)	3.36	8.65	4.34
	Unaudited as at 30 September 2017 US\$	Audited as at 30 June 2017 US\$	Unaudited as at 30 September 2016 US\$
CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
Assets			
Non-current assets			
Total property related investments	569,898,152	507,611,637	299,036,330
Fair value of property portfolio	371,538,567	345,850,499	246,755,977
Straight-line rental income accrual	8,695,712	5,971,837	5,207,723
Investment in associates	145,191,649	89,049,264	47,072,630
Investment in listed shares: Available-for-sale	3,848,722	–	–
Other financial assets	40,623,502	66,740,037	–
Property, plant and equipment	2,092,268	1,932,521	789,696
Intangible assets	5,687,349	5,692,190	5,575,562
Related party loans	12,479,807	12,722,604	–
Deferred tax	6,827,267	6,174,482	7,025,055
Total non-current assets	596,984,843	534,133,434	312,426,643
Current assets			
Trade and other receivables	22,390,964	18,656,708	14,893,140
VAT	9,716,148	7,259,812	5,145,410
Current tax receivable	435,826	438,831	–
Financial instruments	8,637	–	–
Cash and cash equivalents	7,345,730	24,666,676	7,663,609
Total current assets	39,897,305	51,022,027	27,702,159
Total assets	636,882,148	585,155,461	340,128,802
Equity and liabilities			
Total equity attributable to equity holders			
Share capital	319,978,513	319,978,512	173,060,368
Foreign currency translation reserve	1,111,284	1,063,721	(35,985)
Antecedent dividend reserve	–	1,260,656	–
Retained (loss)/profit	(2,252,233)	(7,578,169)	(9,896,220)
Total equity attributable to equity holders	318,837,564	314,724,720	163,128,163
Liabilities			
Non-current liabilities			
Preference shares: Non-redeemable	12,840,000	12,840,000	–
Interest-bearing borrowings	235,391,070	187,447,310	111,148,224
Secured finance leases	165,946	171,247	–
Deferred tax	961,199	898,773	665,041
Total non-current liabilities	249,358,215	201,357,330	111,813,265
Current liabilities			
Interest-bearing borrowings	47,018,449	47,959,452	44,600,000
Secured finance leases	43,873	44,566	–
Trade and other payables	16,669,161	19,201,998	11,346,980
Related party loans	1,365,000	1,365,000	1,365,000
Shareholders for dividend	2,877,497	–	5,613,322
Withholding tax payable	66,928	45,460	21,147
Current tax payable	–	–	1,469,649
Financial instruments	–	18,724	319,334
Cash and cash equivalents	645,461	438,212	451,942
Total current liabilities	68,686,369	69,073,412	65,187,374
Total liabilities	318,044,584	270,430,742	177,000,639
Total equity and liabilities	636,882,148	585,155,462	340,128,802
Loan to value			
Net asset value per share (cents)	152.91	150.94	161.98
Net asset value per share (excluding deferred taxation) (cents)	150.10	148.41	155.67

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

	Share capital US\$	Foreign currency translation reserve US\$	Antecedent dividend reserve US\$	Retained earnings US\$	Total equity holders US\$
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY					
Balance as at 1 July 2016	171,995,297	(1,898)	635,547	(9,256,498)	163,372,448
Profit for the period	–	–	–	17,731,685	17,731,685
Dividends paid	–	–	(1,595,780)	(16,053,358)	(17,649,138)
Foreign currency translation reserve movement	–	1,065,619	–	–	1,065,619
Shares issued	155,534,757	–	–	–	155,534,757
Share issue expenses	(5,330,652)	–	–	–	(5,330,652)
Transfer from share issues	(2,220,889)	–	2,220,889	–	–
Balance as at 30 June 2017	319,978,513	1,063,721	1,260,656	(7,578,171)	314,724,719
Unaudited for the three months ended					
Profit for the period	–	–	–	6,942,780	6,942,780
Dividends paid	–	–	(1,260,656)	(1,616,841)	(2,877,497)
Foreign currency translation reserve movement	–	47,562	–	–	47,562
Balance as at 30 September 2017	319,978,513	1,111,283	–	(2,252,232)	318,837,564

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

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

SUBSEQUENT EVENTS

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

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

OUTLOOK

Whilst the Board recognises the complexity and risk in Africa, the Group has positioned itself with a skilled and experienced management team and platform to capitalise on the significant opportunities on the continent. The distribution growth for the 2018 financial year is forecast to be between 3% to 5% in US Dollars.

Any forecast included above has been based on the assumption of stable regional, political and economic environments as well as a stable global macroeconomic environment.

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

GOING CONCERN

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

DIVIDENDS

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

NOTES

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

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

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

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

By order of the board

14 November 2017

JSE sponsor and corporate advisor to Grit



PSG CAPITAL

SEM Authorised Representative and sponsor to Grit



Perigeum Capital

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

**Company secretary:** Intercontinental Fund Services Limited

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

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

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

**Corporate advisor and JSE sponsor:** PSG Capital Proprietary Limited

**Sponsoring Broker:** Axys Stockbrokering Limited

**SEM authorised representative and sponsor:** Perigeum Capital Limited

Results released to market

14 November 2017

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