

Property and Leisure

Established in January 2016, our Property and Leisure business (Novaterra) focuses on utilising Terra's land assets to establish an innovative property-development cluster in the north of Mauritius.

The cornerstones of this development will be the Beau Plan Smart City and the Balaclava Golf and Lifestyle Estate, both of which aim to positively transform the region.

Our purpose is to create and unlock the value of the Group's land holdings for all its stakeholders.

PROPERTY AND LEISURE BUSINESS MODEL

VALUE DRIVERS	CONTEXT AND OUTLOOK
REVENUE DRIVER (RENTAL AND SALE)	
<p>PROPERTY DEVELOPMENT CLUSTER</p> <ul style="list-style-type: none"> • Long-term value from the Group's existing land ownership in the north of Mauritius. • Beau Plan Smart City project, a mixed activities development covering 228 hectares in the Pamplemousses region, one of the most densely populated districts in the North. 	<ul style="list-style-type: none"> • Targeted sale of 'non-strategic' land generates cash flow for investment. • Development of a mix of real estate projects over the last five years has set a strong base to grow the portfolio of yielding assets. • A new Government incentive to allow the sale of serviced plots to non-citizens is encouraging. • Two priority zones for development include the Beau Plan Smart City development (major projects completed and others under way) and at a second stage the neighbouring Balaclava Golf and Lifestyle Estate (development rights granted), enhancing the value of the broader property portfolio. • A key differentiator to other business destinations in the north of Mauritius is that we are offering a mixed activities development within an exceptional urban design framework. Substantial investment has been made in the infrastructure of the area, including new roads to improve accessibility to our projects and enhance access to public transport services. The Beau Plan Smart City will be inclusive of the adjoining villages of Pamplemousses and Bois Rouge, sites already recognised as a rural regeneration zone in the Government's National Development Strategy. • The Smart City will be an important economic hub, providing an appealing commercial, residential, education and leisure environment; the Mahogany Shopping Promenade, amongst others, will be a key employer to the surrounding villages.
COST DRIVER (MANAGING ASSETS)	
<p>PROPERTY DEVELOPMENT AND MANAGEMENT</p> <ul style="list-style-type: none"> • Commodity prices • Tenant relationships • Integrated and sustainable development 	<ul style="list-style-type: none"> • We have significantly improved the performance of our existing yielding assets, and currently own 286 properties rented out. • Post Covid there has been a significant increase in the cost of materials for all projects, raising building costs and ultimately prices of built-up units. This is due to the increasing costs of international commodities and freight, together with the depreciation of the Mauritian Rupee, which poses a challenge for the local market. • The geo-political situation will maintain pressure on this situation. • We will target new customers by entering new markets. • A key challenge is to ensure a minimum vacancy period once a tenant has left. Ensuring quality tenant relationships will be critical to our success and we are committed to maintaining customer satisfaction. • We have integrated green design principles by working with professionals that have sustainability expertise; we have also invested substantially in the stormwater drainage network to mitigate potential effects of flash floods. • The Smart City will integrate multiple digital connectivity solutions, encouraging the uptake of renewable energy sources and facilitating a healthier lifestyle through the provision of quality recreational spaces and non-motorised transport infrastructure.

Property and Leisure (cont'd)

PROPERTY AND LEISURE BUSINESS MODEL (CONT'D)


DELIVERING BROADER SOCIETAL VALUE

The Beau Plan Smart City development is anticipated to create at least 8,400 new and direct jobs in the Smart City itself, with an additional 500 construction jobs during the initial construction phase, and another 5,000 indirect jobs for the suppliers of associated goods and services. We will be providing training to develop the skills of people in the region, including small business management, organic farming and ICT. In addition to boosting job creation opportunities, our development will have a positive impact on the value of Terragri's existing land, as well as on the property of our neighbours, contributing positively to the general enhancement of the region.

The main residual risks for the Property and Leisure cluster as at 31 December 2021 are summarised below.

RISK	CONTRIBUTING FACTORS	RISK MITIGATING ACTIVITIES	YEAR ON YEAR TREND
R1 Oversupply of properties on the market impacting on price.	<ul style="list-style-type: none"> Increased number of projects are being implemented nationwide and the market has not grown proportionately. 	<ul style="list-style-type: none"> Increased focus on marketing strategies and networks. Every care is taken at conceptual level of projects to ensure a long term attractiveness for the areas to be developed. 	Unchanged
R2 Bureaucratic hurdles leading to lower profitability and agility.	<ul style="list-style-type: none"> Delays in obtaining permits and clearances from authorities. 	<ul style="list-style-type: none"> Authorities are working closely with all stakeholders to improve the ease of doing business. Close watch on current and proposed regulatory policies and legislations. Diversified service offerings to minimise any impact resulting from changes in Government strategy. Dedicating resources on a full-time basis to establish appropriate communication with authorities and follow up on all necessary permits and clearances. 	New
R3 The activities are exposed to the consequences of the Covid-19 pandemic. Construction costs and cash flow negatively affected.	<ul style="list-style-type: none"> Loss of tenants due to the impact of the recession. Increase of raw material costs internationally, coupled with the depreciation of the Mauritian Rupee and the sharp rise of freight cost. Impact of economic recession reduces the purchasing power of local buyers and the propensity of foreigners to visit and invest in Mauritius. 	<ul style="list-style-type: none"> Stringent monitoring of operational costs. Strong marketing and communication measures to maintain excellent relationship with main partners and clients. 	Unchanged

PROPERTY AND LEISURE BUSINESS MODEL (CONT'D)




CAPITAL	MATERIAL INPUTS (2021) ¹	ACTIVITIES TO SUSTAIN VALUE	MATERIAL OUTCOMES (2021)
 PEOPLE	<p>EMPLOYEES (NOVATERRA) 95</p> <p>EMPLOYEES (L'AVENTURE DU SUCRE) 56</p>	<ul style="list-style-type: none"> Dedicated health and safety officer in Terragri that supports us on H&S matters for all our projects. With the opening of Mahogany Shopping Promenade, we implemented fencing around the lake area. Annual fire drill for all employees. Safety measures and procedures in response to Covid-19, including contact tracing. Executive and leadership development coaching programmes are ongoing. Revamped our employee engagement programme so that everyone has visibility on cluster developments. 	<p>TOTAL RECORDABLE INJURY RATE (TRIR)² 12.4 (+254%)</p> <p>LOST TIME INCIDENT RATE (LTIR)² 9.3 (+43%)</p> <p>SEVERITY RATE² 5.6 (-178%)</p>
 MANUFACTURED	<p>AVAILABLE SPACE FOR RENT</p> <p>INDUSTRIAL AND COMMERCIAL 34,644 m²</p> <p>OFFICE 9,290 m²</p> <p>RESIDENTIAL 22,629 m²</p> <p>SHOPPING MALL 8,182 m²</p>	<ul style="list-style-type: none"> Designing smaller apartments to target a new market in Mauritius. 	<p>OCCUPANCY RATE 95.4% (+7%)</p>
 NATURAL	<p>LAND AVAILABLE FOR DEVELOPMENT AND REGENERATION 695 ha</p>	<ul style="list-style-type: none"> Smart energy measures. Recycling facilities managed by third-party. Sewerage treatment plant operational within the Smart City. Greencoast International School designed and constructed with no air-conditioning. Pedestrian access to Beau Plan enabled through non-motorised transport. Internet of Things (IoT), intelligent sensors, and cloud-based software applications are being considered to monitor and manage natural resource impacts. Agreement for the construction of a 1.6 MW photovoltaic solar farm to supply renewable energy power to the Smart City. 	

¹Data as at 31 December 2021

²Calculation methodology was updated in 2021

Property and Leisure (cont'd)

PROPERTY AND LEISURE BUSINESS MODEL (CONT'D)

CAPITAL	MATERIAL INPUTS (2021) ¹	ACTIVITIES TO SUSTAIN VALUE	MATERIAL OUTCOMES (2021)
 SOCIAL AND RELATIONSHIP	Our business model depends on maintaining quality relationships with key stakeholders including Government, tenants, project developers, financiers, neighbouring communities, and the media.	<ul style="list-style-type: none"> Embedded our Culture and Engagement Journey for employees creating a culture of learning and results. Dedicated teams for effective relationship management with relevant stakeholders. 	<p>EMPLOYEE TURNOVER RATE 11% (2020: 4%)</p> <p>PAYMENT IN TAXES MUR 0.9 million</p> <p>VISITORS TO L'AVENTURE DU SUCRE 10,711 people</p> <p>PARTICIPATING IN EVENTS AND FESTIVALS 8,500 people</p>
 INTELLECTUAL	Project timelines include adequate buffer time for obtaining permits.	<ul style="list-style-type: none"> Land Management Department works full time on following up of applications submitted to various ministries and authorities in view of obtaining necessary development permits. Dedicated Compliance Officer to take clients / buyers through a KYC (Know Your Client) process. Audits of <i>L'Aventure du Sucre</i> from external tour operators. 	Some permits delayed, but these have been addressed. Audits on <i>L'Aventure du Sucre</i> on hold for 2021.
 FINANCIAL	<p>PROPERTY AND LEISURE TOTAL EQUITY (JAN 2021) MUR 4,451.2 million</p> <p>TOTAL BORROWINGS MUR 746.9 million</p> <p>CAPITAL EXPENDITURE MUR 396.0 million</p>	<ul style="list-style-type: none"> Actively managed the financial performance through weekly meetings with head of departments, monthly senior management meetings and regular Board meetings. 	<p>TURNOVER MUR 518.1 million (+115%)</p> <p>PROFIT (INCLUDING PROFITS ON LAND SALES) MUR 92.3 million (+350%)</p> <p>PROPERTY AND LEISURE TOTAL EQUITY (DEC 2021) MUR 4,620.4 million</p>

¹Data as at 31 December 2021

THE OPERATING CONTEXT

MATERIAL ISSUE IMPACTING VALUE CREATION	OUR RESPONSE
<p>Covid-19 – The second lockdown period and the closing of borders at the start of the year resulted in delays to our projects, as well as a continued drop in revenue from our museum activities, <i>L'Aventure du Sucre</i>. We also experienced an increase in construction costs due to the rising cost in building materials post Covid, which presents a challenge in terms of affordability for the local market.</p> <p>The industry has also had difficulties importing labour, triggered by Covid-19 and the sanitary measures in place. While this matter is being addressed, it will take time, and does present some challenges for the construction sector.</p>	<p>We remained agile during the lockdown period and quickly set up teams to work remotely. We mobilised a core team for maintenance of our assets and tenants and gained work access permits to handle operational issues.</p> <p>With the launch of the Mahogany Shopping Promenade on 24th of June, shortly following the lockdown period, Covid-19 cases were treated very seriously with contact tracing in place. We had two cases amongst our employees at the retail centre, resulting in all employees there being placed into hotel quarantine for 14 days. To mitigate the impact of this, we used working rosters in the different departments and mobilised all employees to work during weekends. Covid-19 and the associated restrictions was an occasion to test our team spirit, and we moved as a team.</p> <p>To deal with the increasing cost of materials for all projects, we had to negotiate with operators and have managed this for now; the impact will be more on new build.</p>
<p>Regulatory and policy framework – Changes in Government policy and regulation relating to property development, as well as any delays in obtaining approvals and other Government permits, could impact on the nature, cost and timing of proposed developments. Given the nature of our business we deal with several authorities, including environment, traffic, road development, and the more recent land drainage authority.</p>	<p>We keep a very close watch on current and proposed regulatory and policy developments, and we place a high priority on building and maintaining strong relations with Government and regulatory authorities. We have developed diversified service offerings to minimise any negative impact resulting from changes in Government strategy. We have efficient land management tools in place enabling us to adapt quickly to the continuously changing legislative environment. Our Land Management Department works full time on the follow-up of applications submitted to various ministries and authorities in view of obtaining necessary development permits, which remain key to our development.</p> <p>In 2021 we saw several delays in obtaining clearances and permits, which impacted on the delivery of our projects.</p> <p>Despite this, we have very good relationships with all authorities, and this was strengthened during the year. Communication between Government, authorities and the private sector in general, has been re-established, which is a significant step in the right direction.</p> <p>Through the Economic Development Board (EDB), Government has called for a regulatory review of the real estate and construction sectors to identify improvements. Recommendations have been made to the EDB and we are optimistic that there will be improvement in terms of doing business going forward.</p> <p>Through our active involvement in committees at Business Mauritius, we are in constant dialogue with authorities.</p> <p>We are now fully conversant with the Financial Intelligence and Anti Money Laundering Act with a dedicated Compliance Officer and department. All clients/buyers go through a KYC (Know Your Client) process, and this has been fully integrated into the sales process. It now takes one month to on-board a client (previously two weeks).</p>
<p>The changing competitive and business environment – A potential oversupply of properties on the market, and other changing market dynamics, could result in lower occupancy rates, a loss of revenue and reduced return on investment. We are seeing pressure on rental prices, mainly in office space, due to oversupply and competition.</p>	<p>We are ensuring the timely implementation of a mix of facilities, to provide a compelling proposition for entrepreneurs to develop or relocate their business. We have established a strong marketing and communications team and we have secured the commitment of key anchor tenants in the retail and boutique leisure sectors.</p> <p>In terms of office tenants, by creating new living spaces in Beau Plan with more pleasant work environments, we will be able to attract a premium, but there remains a limit to how much tenants will pay, and we foresee pressure when negotiating with future tenants.</p>

Property and Leisure (cont'd)

OUR 2021 PERFORMANCE

This year was again a challenging year due largely to the impacts of Covid-19. The second national lockdown at the start of the year required stopping construction operations, resulting in delays to our projects, including the launch of our Mahogany Shopping Promenade. To mitigate the impacts of the pandemic, we quickly set up teams to work remotely and mobilised a core team for maintenance of assets and to look after tenants. This worked well, and we managed to gain work access permits swiftly. We continued to see a great sense of solidarity in our team, with everyone remaining focused and motivated, positively impacting on performance in the year. Overall, we did better than our budget, posting a profit of MUR 92.3 million (compared to a profit of MUR 20.5 million in 2020).

Our positive results were driven by higher revenues on land sales, coupled with three main factors – improved sales of non-strategic land, profit from Mango Village duplex and apartment sales, and better-than-expected performance at Mahogany Shopping Promenade.

Deposits were received for 324 lots to secure total land sales of MUR 1.1 billion this year. We launched the sale of three projects outside the Smart City this year – Montagne Longue, Creve Coeur, and *Les Coteaux de Belle Vue* and started the infrastructural works. We also launched the sale of two projects within the Smart City – *Les Muguets* phase two and *Le Parc*. These land sales are part of our cash generation plan, which supports our infrastructure and projects at large.

We engaged with Government on a land exchange mechanism whereby we agreed to transfer some 45 arpents of land to Government for the implementation of part of its 12,000 social housing units scheme, and in exchange, we have secured land at Solitude, Beau Plan and Bassin Paquet for future development.

BEAU PLAN SMART CITY PROJECTS

A major milestone was the opening of our 12,500 square meter retail centre, the Mahogany Shopping Promenade, in the heart of the Smart City, in June 2021. Due to the construction delays, we had accounted for a MUR 28 million loss for the project, but once launched performance exceeded expectations and we ended with only a MUR 4 million loss for the year. For the first six months of operation, we received on average 200,000 visitors per month, exceeding initial estimates of 160,000 visitors per month. With this strong base for visitors, we will tailor this to further increase offerings in the mall. Most of our operators are performing well, with some underperformance, and we will look to consolidate and improve the customer experience. We have secured 94% of the tenant leasing with some big players positioned to arrive in 2022.

Other important milestones included the sale of all 26 units from the first phase of Mango Village duplex and apartments (MUR 289 million), with delivery initially scheduled for June 2022. A two-month delay is expected due to Covid effects. We also launched the second phase comprising 20 units (MUR 345 million), but with the triple effect of global commodity price increases, the cost of freight, and the depreciation of the Mauritian Rupee, the units on average have seen a price increase of 30%, which presents a challenge for the local market. This market remains a large proportion of the sales.

We started the construction of a new office building, The Strand, in July 2021, which will bring additional vibrancy to Beau Plan. The cost of the project is MUR 626 million, and we aim to be finished by December 2022. We expect a few delays due to sanitary requirements, as well as Covid-19 cases amongst construction workers.

OUR 2021 PERFORMANCE (CONT'D)

We completed the first phase of *Les Muguets*, the first residential serviced plots in the Smart City, and handed over 37 plots to respective buyers (MUR 202 million). A new incentive from Government this year is to allow the sale of serviced plots to non-citizens, which is encouraging. Previously we could sell only built-up units to foreigners.

We also completed and handed over the second phase of the Greencoast International School at a cost of MUR 92 million, with 225 students at the school at the start of 2022.

The Beau Plan Smart City now offers educational, leisure, office, cultural, residential and shopping opportunities. We have invested substantially in the infrastructure to make Beau Plan more accessible to the public through non-motorised transport, including walking, cycling, and electric scooters. This year we started working with a consultant to study the mobility of people in the Smart City to implement better measures and we recently received the necessary clearances from authorities to allow bus routes to serve the Mahogany Shopping Promenade. Eleven different transport companies will service Beau Plan in 2022.

We continue to integrate sustainability practices into the design process of the Smart City, including smart energy measures. We are targeting 20% energy savings at The Strand, which reduces operating costs at the office units and represents savings for the tenants themselves. We have signed an agreement with the Central Electricity Board for the implementation of a 1.6 MW photovoltaic solar farm, which will allow us to supply the full energy requirements at the Mahogany Shopping Promenade. Energy will be uploaded to the grid at a predefined tariff, with a ROI of 10 years.

We have incorporated recycling facilities for used cooking oil, and other wastes, and this will be third-party managed. We have contracted consultants to work on a centralised composting system. This will require the collaboration of Grays and Terragri but will be managed by Novaterra. The idea arose at the Group-wide sustainability summit in 2021 and the project enables the production of compost and gas.

The Mahogany Shopping Promenade will be a key employer to the surrounding villages, helping us to fully integrate them in the development of the region. As a business that relies on several different contractors, we ensure everybody is on the same level-playing field and has the chance to benefit from the new economic activities generated by the developments at Beau Plan.

The financial performance of our subsidiary, Sugarworld Ltd, which operates under the brand name *L'Aventure du Sucre*, improved. After experiencing a loss of MUR 20.3 million in 2020 due to the closure of borders, this was reduced to a loss of MUR 10.0 million this year. We received wage assistance from the Government and as an additional support the Group did not charge the company traditional costs.

OUR STRATEGIC OUTLOOK

In 2021 we could see the results of our five-year strategy come to fruition and what we had initially planned has been delivered. With the opening of the Mahogany Shopping Promenade, the Beau Plan Smart City is now open to the public at large. Our strategy for creating value has worked well, with the implementation of the school, equestrian centre, and shopping mall, the mix of projects has helped to bring higher value to Beau Plan. We have seen this with the price of land, which has really picked up over the years. From the first project we sold in Beau Plan to the latest, the price of land has increased by more than 200% and, in some instances, up to 300% for some exclusive products, in line with our value creation process. After five years the results are visible.

The key components of the Beau Plan Smart City development have been put in place, with MUR 4.2 billion invested to date. Our strategy for the coming years will be based on three main axes:

- To grow our assets, and continue to build and lease;
- To concentrate on build and sell including villas, duplex, and apartments; and
- The sale of serviced plots, but only where we can extract the highest value.

Property and Leisure (cont'd)

OUR STRATEGIC OUTLOOK (CONT'D)

Looking ahead we will concentrate on extracting better value from Beau Plan, including both the residential and business parts. We will implement infrastructure for the Business City, an important precinct of our Smart City, and start the sales of land there. Our aim is to attract local and international entrepreneurs who wish to develop or relocate their businesses in Beau Plan. We have secured a major business tenant, which will certainly help us to attract further operators to the Business City. We are also in discussions with important car dealerships.

We have started to phase out the bulk sale of non-strategic land. This has been an active part of our strategy over the past years, but we will stop this to concentrate on our three main axes.

We have also identified a new zone for development with astonishing views over the North and close to Belle-Vue. We have obtained land conversion permits for this and have started to plan for the development.

We will maintain a strong focus on managing the development costs of our projects, targeting efficiency opportunities at all different stages, from inception to operation. We will also continue to integrate environmental considerations to reduce our footprint.

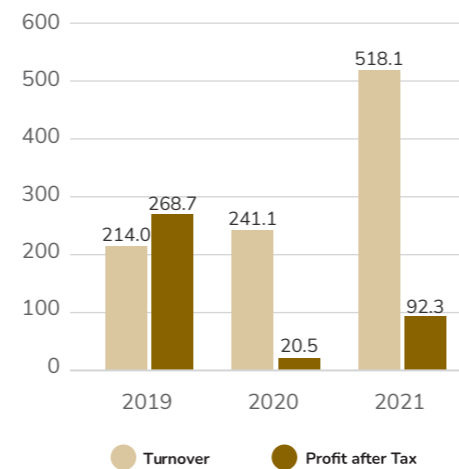
The geo-political situation will have an impact on Mauritius, including the tourism industry. The petrol prices have already gone up by 50% and the cost of living in general will certainly increase. Fortunately, Beau Plan is not yet a destination for non-citizen foreigners and our biggest share of the market for real estate remains local. But ultimately, we still want to attract more foreigners to Beau Plan. During Covid we saw that the appetite for land and real estate is significant in Mauritius, and we remain confident with our strategy.

With Mango Village, we initially positioned Beau Plan for a certain clientele. We are now working on a project with smaller apartment sizes to broaden our base of customers. We plan to build and offer for sale small apartments in the range of MUR 5-8 million. This will also talk to the investors market and we are already at the drawing board.

IMPACT OF COVID-19

- We mobilised a core team very quickly during the second lockdown to focus on maintenance of assets and tenants, which worked very well.
- *L'Aventure du Sucre* continued to incur losses for the year, but these were vastly reduced compared to 2020.
- Delays on construction due to the second lockdown delayed the opening of the Mahogany Shopping Promenade, but the launch was a great success.
- We implemented contact tracing to minimise the risk of infections, with eight employees at Novaterra and all employees at Mahogany Shopping Promenade being sent to quarantine when cases arose.
- We felt pressure from a certain number of tenants for our property rentals but managed to receive 99% of our forecasted budget.

Turnover and Profit after Tax (MUR'M)



Beau Plan Smart City Master Plan

