## Rating Rationale
## Mara Delta Property Holdings Limited

**Ratings**

| Facility/Instrument | Amount (MUR Million) | Rating Action |
|---|---|---|
| Proposed Short term Bond Issue | Euro 10.0 Million<br>(Mur 380.40 Million)** | **CARE MAU A2 [A TWO]** |
| **Total** | **Euro 10.0 Million (Ten Million)<br>(Mur 380.40 Million)**<br>(Three hundred eighty million and four hundred thousand)** | |

***1Euro = 38.40 MUR as on Feb 3, 2017*

### Rating Rationale

The rating derives strength from experienced management, ability to raise capital, strong property portfolio with properties located in prime locations, high occupancy levels in majority of the properties, lease agreements with high quality tenants in office, retail and the hospitality sectors, lease maturity covering tenure of bond repayment, USD indexed rentals, loan to value (LTV) of all properties (around 50%) in line with the company's financing pattern, currency risk mitigated through natural hedging and comfortable debt coverage indicators.

The rating is, however, constrained by refinancing risk, liquidity risk due to the company's aggressive dividend distribution policy, pending financial closure (both equity & debt) for its ongoing acquisition plan, dip in occupancy along with pending receivables from Anfa Mall due to the current redevelopment project, high gearing at group level and the company's exposure to country and political risk by virtue of owning properties in different countries across Africa; albeit that the company has taken PRI cover in both Mozambique and Morocco.

The key rating sensitivities are ability to raise fund as planned (debt: equity in the ratio of 1:1) and complete ongoing acquisitions successfully within budgeted cost, maintain current LTV, refinance debt successfully on maturity, timely receipt of lease rentals and maintain occupancy and profitability in the properties.

### BACKGROUND

Mara Delta Property Holdings Limited ("Mara Delta") was initially incorporated in Bermuda in May 2012 as Delta International Property Holdings Limited. In July 2014, the company purchased 2 properties, namely Anfa Place Shopping Centre in Morocco and Anadarko Building in Mozambique. In March 2015, the company was discontinued from Bermuda and was registered by continuation in Mauritius as Global Business Category 1 Company. In September 2015 the company changed its name to Delta Africa Property Holdings Limited in line with its investment strategy for Pan-Africa. In May 2016, the company was renamed to Mara Delta Property Holdings Limited following investment by Pivotal group.

Mara Delta has dual primary listings on the Stock Exchange of Mauritius and the main board of the Johannesburg Stock Exchange.

Mara Delta is a Pan-African 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 tenants delivering strong sustainable income. The company's focus is to acquire and manage income-generating commercial properties in office, retail, light industrial, corporate accommodation and hospitality sectors across Africa (excl. South Africa) through various subsidiaries As at December 31, 2016, the major shareholders of Mara Delta are Delta Africa Property Fund Limited, South Africa Govt. pension funds (Govt Employees pension fund and Eskom Pension Fund), The Pivotal Fund Ltd, Stanlib, Anchor Capital and Grindrod.

**Analytical Approach: (**Standalone) **-** Mara Delta is an investment holding company whose majority of assets are in the form of long-term real estate investments through its subsidiaries. It does not have any trading operations of its own and its income is primarily in the form of dividends and interest on its investment portfolio. The debt raised by it is primarily on the back of security of the value of investments held by it and is used for onward investment into group companies. CRAF analyses such companies on a standalone basis. The analysis also looks into the quality of Mara Delta's investment portfolio, loan to market value of investments, liquidity and cash flow adequacy.

## CREDIT RISK ASSESSMENT

### Experienced management

Mara Delta has evolved from Delta Property Fund Limited, South Africa (Delta) and was built on Delta management team's experience in private equity and real estate on the African continent. Mr. Sandile Nomvete (Chairman of Mara Delta), the founder and CEO of Delta Property Fund Limited, has more than 12 years of experience in the property sector with specific focus on property ownership. Ms. Bronwyn Anne Corbett, who previously served as the Chief Operating Officer for Delta, has been appointed its CEO. She is a Chartered Accountant having more than 10 years of experience in the property sector with specific focus on property ownership. The strategic affairs are looked after by Ms. Bronwyn Corbett (CEO), Mr. Leon Moortele (CFO) and team of experienced professionals.

### Demonstrated ability to raise capital due to consistent & high dividend payment policy

Mara Delta has demonstrated ability to raise capital from its shareholders on an ongoing basis for the last 2 years to finance its acquisitions in the debt: equity ratio of 1:1. The share capital has increased from USD 128 million as at June 30, 2015 to USD 172 million as at June 30, 2016 and USD 188 million as at December 31, 2016. This increase is primarily due to the company's ability to deliver 6.7% USD dividend yield p.a. for last 2 years and forecast to deliver 6.7% USD-forward yield (Yield on US Treasury Bonds **-** 0.77% for 1 year & 2.46% p.a. for 10 years). Mara Delta paid dividends of USD 8.0 million in FY16 (USD 2.9 million in FY15). Being an income fund that distributes a majority of its' profits to its shareholders as dividends, the company is exposed to liquidity risk in terms of cash flow on a bi annual basis when dividends have been paid.

## Tax benefits for operating in Mauritius

Mara Delta, being a Global Category 1 company ("GBC1"), is entitled to a tax credit which is equivalent to the higher of foreign tax paid by subsidiaries (withholding taxes - TDS, one levied by some countries on interest or dividends paid to a person/company resident outside that country) or 80% of the Mauritius tax payable on its foreign source income. The maximum effective income tax rate for a GBC1 is 3%. Capital gains are exempt from tax in Mauritius.

Mara Delta has floated a wholly owned subsidiary called Delta International Mauritius Limited (DIML). DIML has floated and purchased various subsidiaries and associates in different countries & jurisdictions in order to benefit from the double taxation treaty that Mauritius has entered into with these countries and enjoy lower dividend tax from foreign subsidiaries. In the case of DIML & Mara Delta, tax payable in Mauritius is nil, since its entire income is earned as interest & dividend received from various subsidiaries and the tax paid by subsidiaries are more than 15%.

## Strong operational property portfolio

During its 2 years of operations, Mara Delta has acquired 10 properties across 5 countries in Africa (Morocco, Mauritius, Kenya, Mozambique and Zambia) through various step-down subsidiaries. A detailed break-down of the operational properties under step-down subsidiaries as at June 30, 2016 are as detailed below:

| Property | Location | Country | Sector | Acquisition Value (USD)* | Date of acquisition |
|---|---|---|---|---|---|
| Anfa Place Shopping Centre | Casablanca | Morocco | Retail | 114,680,000 | Jul-14 |
| Anadarko | Maputo | Mozambique | Office | 32,500,000 | Jul-14 |
| Vodacom | Maputo | Mozambique | Office | 49,000,000 | May-15 |
| KPMG/Hollard | Maputo | Mozambique | Office | 14,930,000 | Apr-15 |
| Zimpeto Square Mall | Maputo | Mozambique | Retail | 10,200,000 | Oct-15 |
| Bollore Warehouse | Pemba | Mozambique | Light Industrial | 8,600,000 | May-16 |
| Mukuba Mall | Kitwe | Zambia | Retail | 31,531,467 | Dec-15 |
| Kafubu Mall | Ndola | Zambia | Retail | 9,076,831 | Dec-15 |
| Buffalo Mall Naivasha | Naivasha | Kenya | Retail | 4,279,434 | May-16 |
| Barclays House | Ebene | Mauritius | Office | 13,237,945 | Mar-16 |
| **Assets as at June 30, 2016** | | | | **288,035,677** | |

** As per valuation Reports from Jones Lang LaSalle, Quadrant or CBRE in FY2016*

Acquisition of assets in FY16 enabled both geographical and sectoral diversification in the company's asset portfolio. The portfolio has become moderately diversified, with the largest asset (Anfa Place Shopping Centre), representing around 32% of the total Gross Leasable area (GLA) in FY16.

## Loan to Value (LTV)

As at 31 December 2016, Mara Delta reports an overall LTV of 50.95%. On a property level, except for two properties, the LTV's are in line with the fund acquisition policy of 1:1 (D/E) ratio. The LTV for the exceptions is between 55% and 65%.

**High Quality Tenants in Office & Shopping Mall**

| Property | Anchor/Main Tenants | No. of Tenants | GLA (sqm) | Occupancy | Tenant Grade* | Avg. rental per Sqm (USD) | Rental coverage by anchor |
|---|---|---|---|---|---|---|---|
| Anfa Place Shopping Centre Mall | AlShaya, LabelVie, Alhokair, Samarcande, DVH | 96 | 30,879 | 88% | A-C | 27.91 | 60% |
| Anadarko | Anadarko, Sal & Caldeira, Standard Chartered Bank, Schulmberger and Mitsui | 7 | 7,248 | 100% | A | 44.15 | 90% |
| Vodacom | Vodacom | 1 | 10,995 | 100% | A | 26.83 | 100% |
| KPMG/Hollard | Hollard, KPMG, BP, Barclays, British Council | 9 | 5,056 | 100% | A | 26.83 | 85% |
| Zimpeto Square Mall | PEP, Edcon, Sonae, Vodacom | 14 | 4,764 | 100% | A-C | 19.95 | 75% |
| Bollore Warehouse | Bollore, Plexus | 2 | 6,374 | 100% | A | 11.77 | 80% |
| Mukuba Mall | Shoprite, Game, Edcon | 66 | 28,230 | 100% | A-C | 15.35 | 50% |
| Kafubu Mall | Shoprite, Edcon | 39 | 12,142 | 98% | A-C | 12.77 | 55% |
| Buffalo Mall | Tuskys, Java House, Spur | 26 | 6615 | 97% | A-C | 12.18 | 58% |
| Barclays House | Barclays Bank & Clear Ocean | 2 | 7,700 | 100% | A | 21.86 | 80% |
| | | | **120,003** | 98% | | | |

**Tenant Grade – Tenants are categorized by grade as per criteria mentioned in Johannesburg Stock Exchange*
*A-grade – Large National tenants, large listed tenants and major franchisees*
*B-grade – National Tenants, listed tenants, franchisees and medium to large professional firms*
*C-grade - Smaller retail tenant*

A majority of the lease agreements which Mara Delta enters into with its tenants in single tenanted properties are triple net leases which mean that tenants are responsible for maintenance, insurance & real estate tax in addition to rentals & utilities.

**Office**: **-** In the office portfolio, Mara Delta has reputed international clients in Mozambique like Anadarko (premium Oil & Gas Company of USA), Standard Chartered Bank, Schlumberger (oil field service company), Mitsui (renowned corporate group in Japan), Vodacom (reputed telecom company), KPMG (reputed Audit Firm), The Hollard Insurance Company (premium Insurance company of South Africa), Barclays Bank, British Council and Bollore group of France. In Mauritius, Barclays Mauritius is the primary tenancy in Barclays Tower, Ebene. The robust credit risk profile of the key tenants is a critical concentration risk mitigant.

The office space leased to these international clients (assets with 39% of GLA let to 1-7 clients), comprised 41% of total rentals. The rental coverage from these anchor tenants are in the range of 80-100%. According to management, Mara Delta owns a large percentage of the A grade office buildings in Maputo, Mozambique. The new buildings being constructed command a rental of more than USD 30 per sqm. This coupled with longer WALE of these buildings reduces vacancy risk or tenant loss risk.

**Retail** : The retail portfolio has relatively high occupancy rates with almost 100% occupancy in all retail centres with the notable exception being Anfa Place Shopping Centre (88% occupancy) which covers 30% of the GLA. In H1FY17, there was a dip in occupancy level in Anfa Mall due to the progression of the redevelopment project, associated planned vacancies, tenancy exits and relocation.

### Currency Risk; albeit mitigated to an extent through natural hedging

Most of the rentals are indexed to USD and carry escalation clauses. Majority of the rentals are in USD barring Anfa Place Shopping mall, Mukuba, Kafubu malls and Barclays House.

| Property | Rental Currency | Loan currency | Lenders |
|---|---|---|---|
| Anfa Place Shopping | MAD$ | USD/Euro | Investec, S.A |
| Anadarko | USD | USD | Standard Bank (S.A. & Mozambique) |
| Vodacom | USD | USD | |
| KPMG/Hollard | USD | USD | |
| Zimpeto Square | USD | Mzn metical* | Bank Unico Mozambique |
| Bollore Warehouse | USD | USD | |
| Mukuba Mall | USD (66%) /ZMW (33%) | USD | Rockcastle Global Ltd. |
| Kafubu Mall | USD (33%) ZMW (66%) | USD | |
| Buffalo Mall | USD | USD | HFCK Bank |
| Barclays House | MUR** | USD | Barclays |

**1 USD = 70.5 Mzn $ 1USD = 10 Moroccan Dirham **1 USD = 36 MUR*

The Moroccan dirham is pegged against Euro & Dollar. The Euro's weighting in the currency basket is 60% percent, while the US dollar's weighting is 40%. The company has availed Euro/USD loan to mitigate the currency hedging risk and benefit from lower interest rates.

### Lease Maturity – Tenure of loan

| Property | Net operating Rental income less property operating expenses FY16 (USD) | Net distributable Income in FY16 (USD) | Wgt. Avg. Lease Expiry (months) | Tenure of debt repayment (months) |
|---|---|---|---|---|
| Anfa Place Shopping | 4,964,422 | 3,358,927 | 67 | 61 |
| Anadarko | 3,188,361 | 2,439,795 | 83 | 32 |
| Vodacom | 3,805,576 | 1,508,978 | 47 | 32 |
| KPMG/Hollard | | | 21 | 32 |
| Zimpeto Square | 668,684 | 373,398 | 56 | 114 |
| Bollore Warehouse | 537,005 | 537,005 | 39 | 6 |
| Mukuba Mall | 1,388,428 | 1,384,243 | 58 | 60 |
| Kafubu Mall | 449,136 | 444,555 | 47 | 60 |
| Buffalo Mall | 56,292 | 7,289 | 118 | 60 |
| Barclays House | 385,032 | NM | 122* | 25 |
| | **15,442,936** | **10,054,190** | | |

**based on option periods*

Tenure of Weighted Avg. Lease Expiry (WALE) is more than tenure of debt to be repaid in most of the property subsidiaries. For lease renewals, the policy for single tenanted properties is to start discussion with the tenants 18 months before lease expiry and complete the process 10-12 months before expiry; however for other tenancies engagements begin 6 months prior to expiry dates.

### Refinancing Risk

Mara Delta avails debt in its subsidiaries to fund the property acquisition (50% of the acquisition cost or property value). All debts are linked to properties and repayments in most cases are well before the expiry of the lease agreement tenor with tenants. The rentals from the property are used for interest repayment. However, majority of the principal is repayable on maturity and as per management the same will be refinanced (with existing bank or by availing facilities from new banks) at least 12 months prior to maturity. Tenure of refinancing is correlated (as best as possible) with the expiry of the lease agreements with the tenants. Refinancing risk in various subsidiaries is mitigated to an extent by the company's recent track record in refinancing high cost loans with cheaper & longer term loans, steady income flow from the strong tenants, high occupancy rate in properties, escalation of lease rentals, USD indexed rentals and long tenure of the lease. As per the management, in case of any difficulty in refinancing loans, there is always an option to raise money from shareholders; albeit at a higher cost.

**Development and acquisitions in FY16-17**

The company's completed/ongoing acquisition plans in FY16-17 are as under.

| Property | Tenant Grade | Occupancy | Rental Currency | Debt currency | Location | Country | Sector |
|---|---|---|---|---|---|---|---|
| Cosmo Mall | A-B | 98% | USD | USD | Lusaka | Zambia | Retail |
| VALE Accommodation | A | 100% | USD | USD | Tete | Mozambique | Corporate Accommodation |
| Mall de Tete* | A-C | 100% | USD | USD | Tete | Mozambique | Retail |
| Tamassa Resort | A | 100% | Euro | Euro | Bel Ombre | Mauritius | Hospitality |
| Beachcomber | A | 100% | Euro | Euro | North | Mauritius | Hospitality |
| Imperial Distribution | A | 100% | USD | USD | Nairobi | Kenya | Light Industrial |

*Three year net income guarantee from seller

Acquisition cost and funding pattern of the same are as per below:-

**USD**

| Property | Cost USD | Equity | Debt |
|---|---|---|---|
| Cosmo Mall | 32,889,943 | 13,389,943 | 19,500,000 |
| VALE Accommodation | 25,415,912 | 20,005,912 | 5,410,000 |
| Tamassa Resort | 43,343,857 | 23,343,857 | 20,000,000 |
| Beachcomber | 50,226,616 | 30,226,616 | 20,000,000 |
| Imperial Distribution | 22,058,926 | 13,503,926 | 8,555,000 |
| **Total** | **173,935,254** | **100,470,254** | **73,465,000** |
| Mall de Tete | 24,994,000 | Financed through new issue of Mara Delta shares to vendor | |

**Equity tie up**: Mara Delta management has informed that the company has a written commitment from an existing investor (Public Investment Corporation, South Africa) and new investors/fund houses from inter alia Mauritius for equity raising of USD 50 million to fund the proposed acquisitions. This apart following various roadshows in the USA and UK, management has stated that there has been a very good response from "frontier funds" who have expressed interest in investing into Mara Delta. Respective due diligences are underway and investment is expected to happen by H2FY17.

**Cosmo Mall** – In June 2016 Mara Delta purchased 100% stake in LCI which owns 50% stake in Cosmopolitan Shopping Centre Limited. Cosmopolitan Mall (opened in March 2016), located in Lusaka, Zambia comprises 25,900 sqm of GLA. The anchor tenants are Shoprite, Game, The Foschini Group, Pep, Jet, OK Furniture, Woolworths, Ackermans, Truworths, Max Clothing, Spur, Carnival Furnishers, Edgars and Mr Price with dollar leases. All national tenants together cover more than 60%

of rentals. The anchor lease term is for a period of 10 years, expiring in 2026, and escalates in line with US CPI.

**VALE Accommodation in Tete**- "Vale dos Embondeiros" is a residential condominium located in Zambia. It comprises 2 blocks of 40 2-bedroom apartments and 83 3-bedroom villas, swimming pool, social area, sports court, Football and Volley Fields. The property is fully let to two companies VALE (Brazilian mining company) and Barloworld equipment (sole authorized distributor & service provider of Caterpillar products in Mozambique).

**Mall De Tete** - Mall de Tete has been developed by McCormick Property Development and officially opened in December 2016. The McCormick Property group has pioneered the development of retail centres within the "emerging market of rural retail" in South Africa and Mall de Tete is its 59th successfully completed development. The first 3 years net rental income guarantee is in place from the vendor. The Property has multi-national anchor tenants including Shoprite (29% of rental) and Choppies (9% of rental) on 12 and 5 year leases respectively, both leases indexed to the USD. Other major tenants include Pep, Jet, Woolworths, Studio 88 and KFC (collectively 23% of rental), which covers more than 60% of the rentals.

**Tamassa Resort** – Mara Delta has entered into sale and purchase agreement with a wholly-owned subsidiary of Lux Island Resorts Limited, for the acquisition of Tamassa Resort, for a total consideration of USD 40 million (to be paid in Euro). Tamassa Resort (214 rooms) has been successfully operating for more than 9 years and is ranked 7th on Trip Advisor out of 178 hotels in Mauritius. Prior to PMO approval, the company made a part payment of the deal price with the balance of payment in process consequent to receiving PMO approval.

Post-acquisition the property will be leased back to Lux Hotel. The Lease Back will be for a period of 10 years from the effective Date, with the Vendor (as tenant) having the option to renew the lease for a further 10-year period thereafter. It is a fixed triple net Euro lease (repair & maintenance, insurance & taxes to be borne by Lux) and the lease payments are guaranteed by Lux over the duration of the Lease.

**Beachcomber** - Mara Delta, through a subsidiary, has entered into a shareholders and subscription agreement with New Mauritius Hotels Limited ("NMH") and Beachcomber Hospitality Investments Ltd ("BHI"), a wholly-owned subsidiary of NMH. NMH is one of the largest hotel groups in Mauritius. NMH will transfer to BHI the following leisure property assets - Le Victoria hotel (254 rooms), Le Canonnier hotel (284 rooms) and Le Mauricia (238 rooms) at Euro 162 million. The Properties will be leased back to NMH by BHI in terms of a triple net lease. Mara Delta will enter into a 15-year Euro triple net lease with NMH, as tenant, having the option to renew the lease for a further three successive periods of 10 years. Mara Delta will assume no direct operating risk.

**Imperial Distribution**- Mara Delta is acquiring a distribution facility in Nairobi, Kenya from Imperial group. Imperial, a JSE-listed global conglomerate, will guarantee the lease payments over the duration of the lease period. Mara Delta will incur no operating costs as a result of the triple net lease granted to Imperial in terms of the Lease Back.

## Financial Analysis

In FY16, the distributable income from subsidiaries was not paid up as interest/dividend to Mara Delta. This strategy was adopted for financial prudence to minimise in country charges (like capital registration fees, other related bank charges and applicable taxes like withholding tax) in countries like Mozambique. As such, any available in country funds are first utilised for in country cash requirements as opposed to flowing cash raised (via debt or equity) at group level cross border and then returning cash via dividend back to Mauritius.

Consequent to the aforementioned fiscal approach the group utilized the profits earned from the companies in Mozambique aggregating to USD 6.2 million to part finance new acquisitions in Mozambique. The corresponding amount was raised by way of equity in Mauritius and was used to pay dividends.

Till FY16, the group applied a different approach where dividend and interest income was directly paid by the subsidiaries to Mara Delta. The administrative expenses (Staff cost, legal, Audit Fees, Director fees, Travel & entertainment, etc) was accounted for in Mara Delta.

From FY17, the fiscal policies adopted in FY2016 will continue however all the dividend and interest income from the subsidiaries will flow to DIML (100% subsidiary of Mara Delta) and the major administrative expenses & employee costs will be carried in DIML. DIML will pay interest (on loans received from Mara Delta) and dividend (on investment by Mara Delta) to Mara Delta.

As at December 31, 2016, Mara Delta has a USD 20 million overdraft facility from Afrasia Bank Limited, which the company uses as a bridge loan at the initial phase of property acquisitions. Once the properties are financed through raising equity at the company level and debt at the subsidiaries level, the excess is used to reduce the overdraft facility. Average utilisation of the overdraft facility during last 12 months was around 70%.

In FY16-17, Mara Delta, through various subsidiaries is in the process of acquiring 4 hotel properties in Mauritius with Euro denominated rentals, being the Tamassa Hotel (100%), Le Victoria (44.4%), Le Canonnier(44.4%) and Le Mauricia (44.4%). The monthly inflow of EURO funds will be used to service the short term bond of EUR 10 million, which acts as a natural currency hedge.

## Pending Receivables in group companies

As at June 30, 2016 Mara Delta had pending receivables of USD 4.7 million (of which USD 3.8 million was pending for more than 12 months) primarily due to arrears in Anfa Place Shopping Centre; such arrears being managed as part of project negotiations with existing tenancies in terms of required tenancy movements. The largest portion of these arrears relate to historic disputes with larger tenancies.

However the tenants are paying the current rentals in a timely manner. Majority of arrears are under negotiation with tenants. Provision for bad debt has already been made in the books for the local tenancies whose leases have been terminated. The company has provided for potential write off of approximately USD 2.0 million.

**Country & Political Risk**

**Kenya (B1 Moodys) -** Kenya is one of sub-Saharan Africa's most dynamic frontier market economies, occupying a key role as the main business and transport hub of East Africa. Head way on business climate reforms has helped foster an increasingly dynamic private sector and positively contributed to the country's growth. However, its economic performance continues to be susceptible to several risks namely, that of global financial markets conditions and security issues. The country is well positioned to maintain its dominant role in the evolving East African Community and further expand economic links with China, India and the Middle East.

**Mauritius (Baa1 Moodys) -** Mauritius has established itself as one Africa's most dynamic and attractive investment destinations and increasingly positioning itself as a port for Africa-destined investment. The country's dependable judicial system, low tax environment and liberal investment regime, as well as a number of double taxation avoidance agreements, have turned the island in an offshore hub for financial services. However, global trends and demand pose a risk to the country's growth prospects, given the island's heavy reliance on the external sector.

**Morocco (Ba1 Moodys) -** Morocco is a conservatively managed economy, where prudent macroeconomic policies and structural reforms during the past decade have promoted healthy growth and positioned Morocco as stable economic anchor and hub between Europe, Middle East, and Africa. Foreign direct investment has increased to 2-3% of GDP in the last decade making morocco the third-highest recipient of foreign investment in Africa, as investors has shown strong interest in Morocco's burgeoning automotive and aviation sectors, as well as financial services and renewable energy development. However, the economy's prospects remain highly vulnerable to the performance of the agriculture sector which periodically suffers from drought.

**Mozambique (Caa1 Moodys) -** After a decade of significant economic growth and attracting major foreign direct investment (FDI), Mozambique saw a slight slowdown in 2015 due to lower than expected exports and a decrease in public expenditure. This led to devaluation of the Metical against the USD and pressure on the balance of payments. Also, a fast-paced public sector infrastructural development programme left Mozambique's external debt burden exceed estimates as previous undisclosed loans become known.

**Zambia (B3 Moodys) -**After consecutive years of strong GDP growth that made Zambia one of the best-performing economies in southern Africa, the country reached low-middle-income status in 2010.

Zambia's economy has been affected by low commodity prices. The country is one of the world's largest exporters of copper (75% of total exports) and the lacklustre commodity price environment will continue to exert pressure on Zambia's mining sector. The drought at the end of 2015 has severely impacted the agriculture production and hydro power supply, slowing economic growth. Nevertheless, GDP growth expectations have marginally increased for 2016/2017, following expectations of a more favourable agricultural outcome for the farming season and higher copper production.

**Financial Analysis - Standalone**

**USD Million**

| **For the year ended as on** | **30-Jun-2015** | **30-Jun-16** |
|---|---|---|
| | **Audited** | |
| **Total operating income (interest & dividend from subsidiaries)** | **3.1** | **4.4** |
| Administrative expenses | 3.8 | 2.1 |
| **EBIDTA** | **-0.7** | **2.3** |
| Depreciation | 0.0 | 0.0 |
| Interest and Finance Charges | 0.0 | 1.3 |
| **PBT** | **-0.8** | **1.1** |
| Non-operational income (Fair value adj. on inv. in subsidiary) | 7.1 | 15.2 |
| PBT | 6.4 | 16.3 |
| PAT (after defd. tax) | 6.4 | 16.3 |
| Gross Cash Accruals (GCA) | -0.8 | 1.1 |
| **Financial Position** | | |
| Equity share capital | 128.0 | 172.0 |
| Tangible networth | 131.4 | 178.8 |
| Total debt | 0.0 | 20.0 |
| ***Profitability (%)*** | | |
| EBIDTA / Total operating income | -23.96 | 52.90 |
| PAT (after defd. tax) / Total income | 207.51 | 371.45 |
| RONW | 9.62 | 10.49 |
| Debt equity ratio | 0.00 | 0.00 |
| Overall gearing ratio | 0.00 | 0.11 |
| Interest coverage (times) | -26.91 | 1.84 |
| Total debt/ GCA | 0.00 | 18.92 |

**Consolidated financial performance of the group**

**Mara Delta – Group** **USD Million**

| **For the year ended as on** | **30-Jun-2015** | **30-Jun-16** |
|---|---|---|
| Rental Income from property subsidiaries | 16.5 | 23.1 |
| Rental Income from Associates | 0.0 | 3.2 |
| Other Income (incl. foreign currency gains) | 1.0 | 6.6 |
| Total Income | 17.6 | 32.9 |
| EBITDA | -3.5 | 20.8 |
| Depreciation | 0.0 | 0.1 |
| Interest and Finance Charges | 3.6 | 9.7 |
| Profit from Operations | -7.2 | 11.0 |
| Non operational income/expense (Fair Value Adjustment of Investments) | 8.1 | -3.6 |

| For the year ended as on | 30-Jun-2015 | 30-Jun-16 |
|---|---|---|
| PBT | 0.9 | 7.4 |
| PAT (after defd. tax) | 0.2 | 2.0 |
| Gross Cash Accruals (GCA) | -7.3 | 9.6 |
| Equity share capital | 128.0 | 172.0 |
| Tangible networth | 125.0 | 152.5 |
| Total debt | 102.0 | 163.0 |
| Cash & bank balance | 6.6 | 17.8 |
| **Key Ratios** | | |
| ***Profitability (%)*** | | |
| EBIDTA / Total Income | -0.20 | 63.25 |
| PAT / Total income | 0.01 | 5.96 |
| RONW | 0.29 | 1.39 |
| Debt equity ratio | 0.08 | 0.83 |
| Overall gearing ratio | 0.82 | 1.07 |
| Interest coverage (times) | NM | 2.15 |
| Avg collection period (days)* | 122 | 166 |
| Average creditors period (days) | 22 | 128 |

***-** primarily Anfa Place