

Property and Leisure

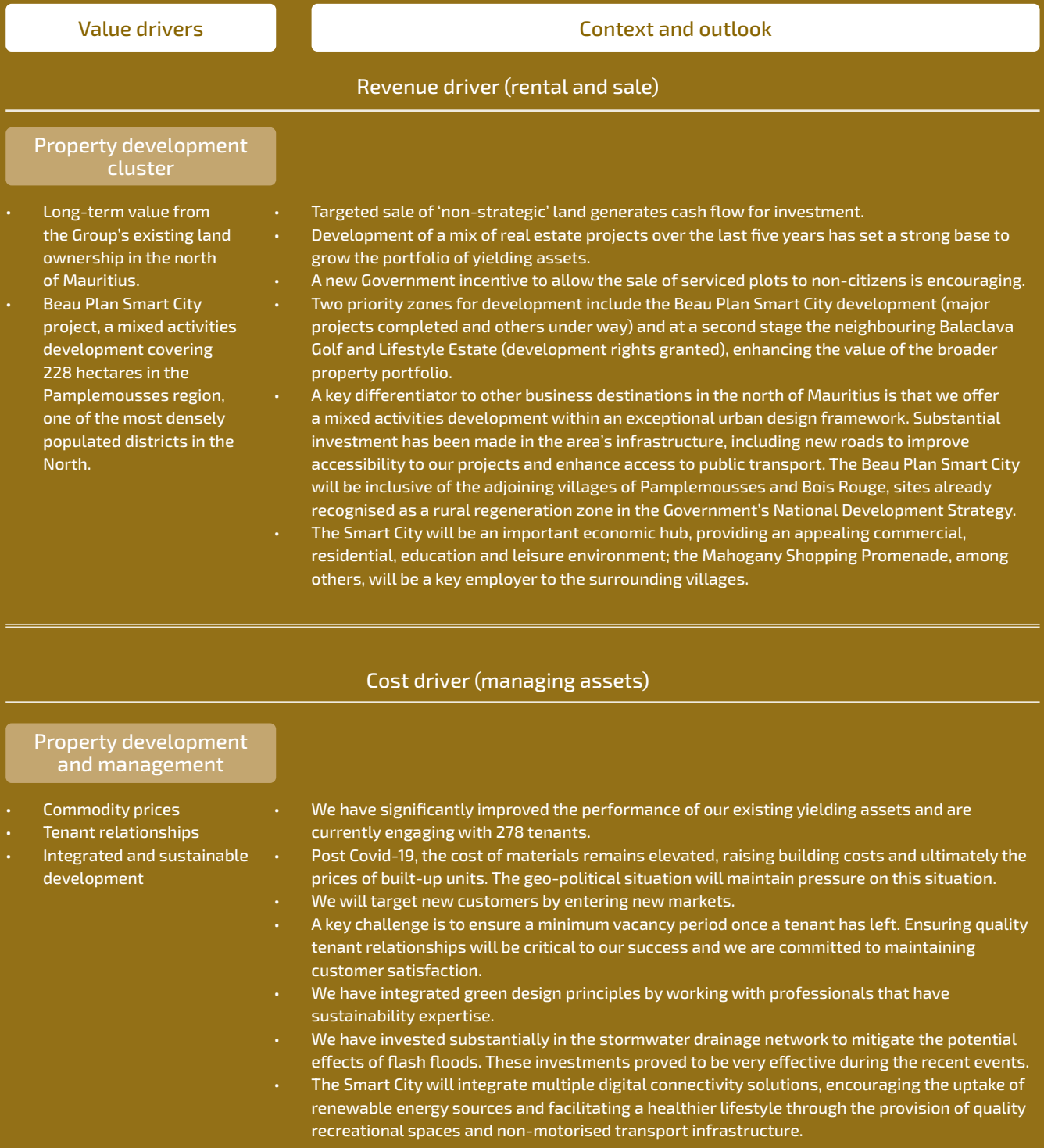
Established in January 2016, our Property and Leisure business (Novaterra) focuses on utilising Terra's land assets to establish an innovative property-development cluster in the north of Mauritius.

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






Property and Leisure (Cont'd)

Property and Leisure business model (Cont'd)

The main residual risks for the Property and Leisure cluster as at 31 December 2022 are summarised below.

	Risk	Contributing factors	Risk mitigating activities	Year on year trend
R1	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. 	Unchanged
R2	Reduction of purchasing power and high finance costs leading to difficulties selling projects and underperforming yielding assets.	<ul style="list-style-type: none"> Ongoing impact of the economic recession since the pandemic and additional price increases. Several consecutive increases in bank interest rates. 	<ul style="list-style-type: none"> Land sales plan in place to ensure strong cash inflow and maintain low gearing ratio. Attractiveness of our products is improving. Beau Plan is now recognised as a premium location. 	New
R3	Oversupply of properties on the market impacting on price.	<ul style="list-style-type: none"> An increasing 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 the conceptual level of projects to ensure a long-term attractiveness for the areas to be developed. Strategy in place to create a balanced mix of products. 	Decreased
R4	Shortage of contractors leading to price increases.	<ul style="list-style-type: none"> Increasing number of projects being launched by the public sector. 	<ul style="list-style-type: none"> Close relationship with sister company (RG) to work in partnership. Develop and maintain good relationships with a range of reputable contractors. 	New

Property and Leisure business model (Cont'd)




Capital	Material inputs ¹¹	Activities to sustain value	Material outcomes
 <p>People</p>	<p>Employees (Novaterra) 106</p> <p>Employees (L'Aventure du Sucre) 51</p>	<ul style="list-style-type: none"> • Dedicated health and safety officer in Terragri that supports us on health and safety matters for all our projects. • Annual fire drill for all employees. • Covid-19 safety measures and procedures remain in place. • Executive and leadership development coaching programmes are ongoing. • Continued to roll out our culture and engagement journey 	<p>Total recordable incident rate (TRIR) 16.3 (~31%)</p> <p>Lost time incident rate (LTIR) 16.3 (~75%)</p> <p>Severity rate² 14.1 (~152%)</p>
 <p>Manufactured</p>	<p>Available space for rent</p> <p>Industrial and commercial 37,061 m²</p> <p>Office 9,018 m²</p> <p>Residential 21,322 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 96.8% (~1%)</p>
 <p>Natural</p>	<p>Land available for development and regeneration 677 ha</p>	<ul style="list-style-type: none"> • Smart energy measures. • Waste separation and recycling in our Beau Plan Smart City. • Sewerage treatment plant operational within the Smart City. • Internet of Things (IoT), intelligent sensors, and cloud-based software installed to monitor and manage natural resource impacts. • EDGE Certification for our new office building, The Strand. • 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 2022.

²Calculation methodology was updated in 2021

Property and Leisure (Cont'd)

Property and Leisure business model (Cont'd)

Capital	Material inputs ¹	Activities to sustain value	Material outcomes
 <p>Social and relationship</p>	<p>Our business model depends on maintaining quality relationships with key stakeholders including Government, tenants, project developers, financiers, neighbouring communities, and the media.</p>	<ul style="list-style-type: none"> Dedicated teams for effective relationship management with relevant stakeholders. 	<p>Employee turnover rate 7% (2021: 11%)</p> <p>Payment in taxes (Mauritius) MUR 3.3 million</p> <p>Visitors to L'Aventure du Sucre 73,830 people</p> <p>Participating in events and festivals 5,000 people</p>
 <p>Intellectual</p>	<p>Project timelines include adequate buffer time for obtaining permits.</p>	<ul style="list-style-type: none"> To obtain necessary development permits, the Land Management Department works full time following up on applications submitted to various ministries and authorities. Dedicated Compliance Officer to take clients/buyers through a Know Your Client process. Audits of L'Aventure du Sucre from external tour operators. 	<p>Some permits delayed, but these have been addressed.</p> <p>Audits on L'Aventure du Sucre conducted in 2022.</p>
 <p>Financial</p>	<p>Property and Leisure total equity (Jan 2022) MUR 4,620.4 million</p> <p>Total borrowings MUR 985.8 million</p> <p>Capital expenditure MUR 67.6 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 1,032.2 million (~99%)</p> <p>Profit (including profits on land sales) MUR 292.6 million (~217%)</p> <p>Property and Leisure total equity (Dec 2022) MUR 4,445.3 million</p>

¹Data as at 31 December 2022.

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 construction phase, and another 5,000 indirect jobs for the suppliers of associated goods and services. We will provide training to develop the skills of people in the region, including small business management, organic farming and ICT. In addition to job creation opportunities, our development will have a positive impact on the value of Terragri's existing land and on our neighbours' property, contributing positively to and generally enhancing the region.

The operating context

Material issue impacting value creation	Our response
<p>Covid-19 – We continued to experience an increase in construction costs due to the rising cost in building materials post Covid-19, which presents a challenge in terms of affordability for the local market. With the opening of our borders, lifting of Covid-19 restrictions and increase in tourism, we saw a pleasing recovery in revenue from our museum activities, <i>L'Aventure du Sucre</i>.</p>	<p>To deal with the increasing cost of materials for all projects, we are negotiating with operators and taking steps to mitigate the impact on new builds.</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 monitor current and proposed regulatory and policy developments and place a high priority on building and maintaining strong relationships with Government and regulatory authorities.</p> <p>We have a diversified service offering 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.</p> <p>To obtain necessary development permits, the Land Management Department works full time following up on applications submitted to various ministries and authorities.</p> <p>In 2022 we experienced several delays obtaining clearances and permits, which impacted project delivery. 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 fully conversant with the Financial Intelligence and Anti Money Laundering Act with a dedicated Compliance Officer and department.</p> <p>All clients/buyers go through a Know Your Client process, and this has been fully integrated into the sales process.</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>To provide a compelling proposition for entrepreneurs to develop or relocate their businesses, we are ensuring the timely implementation of a mix of facilities. 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>We are creating new living spaces in Beau Plan with more pleasant work environments, which we believe will enable us to attract a premium. However, there remains a limit to how much tenants will pay, and we foresee pressure when negotiating with future office tenants.</p>

Property and Leisure (Cont'd)

Our 2022 performance

The Property and Leisure cluster achieved an excellent set of results in 2022, posting a profit of MUR 292.6 million compared to a profit of MUR 92.3 million in 2021.

Profitability was driven by the successful delivery of the first phase of Mango Village; a strong performance by the Mahogany Shopping Promenade; pleasing momentum on our new office building, The Strand, and our Beau Plan Business District; and a recovery in revenue from our museum activities, *L'Aventure du Sucre*. We continued to see a great sense of solidarity in our team, with everyone remaining focused and motivated, positively impacting performance. After the challenges of Covid-19, the cluster also benefitted from the opening of borders and renewed interest in our residential and commercial properties by locals, foreigners and local and international business tenants.

We completed the infrastructural works for *Les Coteaux de Belle Vue*, with the deed of sales concluded in December 2022 for 28 lots out of 53 (total sales MUR 187.5 million out of MUR 351 million). We also launched the sale of three projects within the Smart City – Mango Village phase two, *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. Considering the tough operating conditions and impact of the geo-political situation (including high interest rates and inflation), cash generation is increasingly important to sustain our operations.

We engaged with Government on a land exchange mechanism and agreed to transfer some 45 arpents of land to Government to support the implementation of its scheme to build 12,000 social housing units. In exchange, we secured land at Solitude, Beau Plan and Bassin Paquet for future development. We believe this outcome is the result of active engagement and an improved relationship with Government and establishes a strong base for future collaboration.

We continue to work hard to mitigate delays in obtaining permits and clearances from authorities. This includes dedicating full-time resources to establish appropriate communication with authorities and follow up on all necessary permits and clearances.

Beau Plan Smart City projects

This year, we celebrated the one-year anniversary of our retail centre, the Mahogany Shopping Promenade, which was opened in July 2021 in the heart of our Beau Plan Smart City. Since opening, we continue to gain momentum and have secured a strong returning customer base. Over the course of 2022, we received an average of 200,000 visitors per month – a 7% increase on 2021 monthly footfall. In 2022, we hosted 72 events and 156 exhibitions within the Mahogany Shopping Promenade, and we continue to investigate opportunities to further increase offerings in the mall,

improve the customer experience and promote customer loyalty. We secured 93.6% of the tenant leasing with a target to reach full occupancy by the end of 2023.

Another milestone in 2022 was concluding the sale of all 26 units from the first phase of Mango Village duplex and apartments (MUR 289 million). This was the first build and sell concluded by Novaterra and, while there were some challenges delivering this project, we were very pleased with the outcome. We have since launched the second phase comprising 22 units (MUR 345 million) and have received a positive response, with 86% of the units booked as at April 2023. We completed the second phase of *Les Muguets*, residential serviced plots in the Smart City, and will hand over 60 plots to respective buyers as from June 2023 (MUR 443 million). We further sold all five *Le Parc* plots in 2022 (MUR 83 million).

We continue to make good progress with the construction of our new office building, The Strand. We have secured 65% occupancy on the total available area and aim to be finished with construction by May 2023. A major highlight was achieving EDGE (Excellence in Design for Greater Efficiencies) Certification for The Strand – a first for Mauritius. EDGE is an international green building certification system focused on making buildings more resource-efficient. We estimate that we will achieve energy savings of approximately 40%, water savings of approximately 30% and 41% less embodied energy in the materials used in the construction of the building. This will reduce operating costs at the office units and generate savings for tenants.

We further launched phase one of the infrastructural works for the Beau Plan Business District in April 2022. The Business District will provide a new business destination for local and international entrepreneurs, professionals and companies, with commercial plots for sale as well as a dedicated zone for small and medium-sized businesses. Since launch, we have secured two major business tenants for the Business District and are seeing strong interest from other prospective tenants (local and international).

We continue to identify opportunities for developments that will bring additional vibrancy to Beau Plan. Work started at Mon Rocher for a Padel Club and Club House, with construction scheduled to end in the third quarter of 2023. We also completed and handed over the second phase of the Greencoast International School at a cost of MUR 92 million, with 272 students at the school at the start of 2023.

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, while bus routes now serve the Mahogany Shopping Promenade.

Our 2022 performance (Cont'd)

In 2022, we further established a company (Viva SC Management Ltd) to manage and oversee the security of our Beau Plan Smart City.

We remain committed to ensuring that the Beau Plan Smart City is inclusive of the adjoining villages of Pamplemousses and Bois Rouge. We initiated our Bois Rouge Social Engagement Project in March 2022. As part of this project, we are upgrading the village's infrastructure and started the construction of sports and leisure amenities. Construction was completed in March 2023.

We continue to integrate sustainability practices into the design of the Smart City, including smart energy measures. We progressed with waste separation and recycling in Beau Plan, including installing three deep waste collection containers to recycle plastic, paper and glass. We installed AI and smart technology to optimise energy consumption and introduced energy-efficient lighting and security systems within the Smart City. We also signed an agreement with the CEB to implement 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 11 years.

Pleasing recovery in revenue from our museum activities, *L'Aventure du Sucre*

After experiencing a loss of MUR 10 million in 2021 due to the closure of borders and Covid-19 restrictions, our subsidiary Sugarworld Ltd, which operates under the brand name *L'Aventure du Sucre*, achieved a fantastic recovery and record profits of MUR 17.7 million in 2022. We expect to build on this strong performance in 2023.

Our strategic outlook

Operating conditions are likely to remain challenging. We continue to experience elevated construction costs due to the rising cost in building materials and freight post Covid-19, now aggravated by the geo-political situation. In addition to global commodity price increases, affordability is being challenged by the depreciation of the Mauritian Rupee and high inflation and interest rates.

Against this backdrop, it is incredibly pleasing that we have executed our strategy effectively and delivered what was initially planned as it now provides us with a strong foundation to navigate challenges while building on what we have already achieved. Importantly, we are reaping the benefits of credible and effective strategy execution: along with investors, an increasing number of prospective residential and commercial tenants (including established local and international brands) are showing interest in our Beau Plan Smart City.

The key components of the Beau Plan Smart City development are now in place, with MUR 2.9 billion invested to date, and our strategy for creating value has worked well, with the mix of projects bringing higher value to Beau Plan. We have seen this value in the increasing price of land, which has risen by more than 200% since 2017 (in some instances increasing by up to 300% for some exclusive products).

Our strategy for the coming years continues to revolve around 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.

We are focused on executing this strategy within four main zones with long-term development potential. These zones include Beau Plan (capitalising on the success of our Smart City and existing infrastructure) as well as the neighbouring Balaclava Golf and Lifestyle Estate (development rights granted). In addition, we identified a new zone for development with astonishing views over the North and close to Belle-Vue. We are currently in the planning process. Finally, we identified a one-off opportunity for a sizeable yielding asset in the hospitality sector located at Bassin Paquet, along the coast.

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.

