



# 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 cornerstone 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 stakeholders.*

## 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 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 Terra’s existing land, as well as on the property of our neighbours, contributing positively to the general enhancement of the region.

## PROPERTY AND LEISURE BUSINESS MODEL

VALUE DRIVERS		CONTEXT & OUTLOOK
Revenue Driver (Rental and sale)	Long-term value from the Group’s existing land ownership in the north of Mauritius	<ul style="list-style-type: none"> <li>Targeted sale of ‘non-strategic’ land generates cash flow for investment.</li> <li>Development of a mix of real estate projects over a first five-year cycle sets the base to grow the portfolio of yielding assets.</li> </ul>
Property development cluster	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"> <li>Two priority zones for development include the Beau Plan Smart City development (already started) and the neighbouring Balaclava Golf and Lifestyle Estate (development rights granted), enhancing the value of the broader property portfolio.</li> <li>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 is made in the infrastructure of the area, including new roads in view of improving accessibility to our projects and enhancing 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.</li> <li>The Smart City will be an important economic hub, providing an appealing commercial, residential, education and leisure environment; the shopping centre, amongst others, will be a key employer to the surrounding villages.</li> </ul>
Cost Driver (Managing assets)	Tenant relationships	<ul style="list-style-type: none"> <li>We have much improved the performance of our existing rental assets, and currently own 280 properties rented out. Our costs are well under control to manage these assets.</li> <li>A key challenge is to ensure minimum vacancy period once a tenant has left. Our tenant relationships will be key to our success and we are committed to customer satisfaction.</li> </ul>
Property management	Integrated and sustainable development	<ul style="list-style-type: none"> <li>Integrating green design principles by working with professional with sustainability expertise and investing substantially in the stormwater drainage to mitigate potential effects of flash floods.</li> <li>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.</li> </ul>

## MATERIAL RISKS

- Decrease of purchasing power of consumers following Covid-19.
- Closure of borders leading to a drop in tourism and in foreign direct investment.
- Changes in government policy that could impact our business model or strategies.
- Delays in project completion due to external uncontrolled factors.
- Oversupply of properties on the market leading to low occupancy rate, resulting in loss of revenue.
- Critical external service providers delaying project delivery which would impact on customer needs.
- Changing strategic direction of partners/co-investors resulting in misalignment between stakeholders impacting on financial performance and reputation.

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CAPITAL	MATERIAL INPUTS (2019)	ACTIVITIES TO SUSTAIN VALUE	MATERIAL OUTCOMES (2019)
<b>PEOPLE</b> 	<b>Employees</b> 80 at Novaterra 66 at L'Aventure du Sucre	<ul style="list-style-type: none"> <li>Executive and leadership development coaching programmes ongoing.</li> <li>Enhanced communications with employees regarding non-authorised zones that represent a risk to health and safety.</li> <li>L'Aventure du Sucre was the first in the Group to complete the fire certificate application process under the new regulations of 2018.</li> <li>Introduced physical and mental exercises to employees to mitigate stress and other psychosocial hazards.</li> </ul>	<b>Injury rate</b> 11 Fire Certificate approval in January 2019 (L'Aventure du Sucre).
<b>MANUFACTURED</b> 	<b>Available space for rent:</b> <b>Industrial &amp; commercial</b> 32,212 m <sup>2</sup> Office 8,520 m <sup>2</sup> Residential 27,233 m <sup>2</sup>	<ul style="list-style-type: none"> <li>Mitigation measures to deal with poor soil conditions.</li> <li>Substantial drainage works to mitigate the impact of flash floods.</li> </ul>	<b>Occupancy rate</b> 92.4% (v5%)
<b>NATURAL</b> 	<b>Land approved for development</b> 573 Ha	<ul style="list-style-type: none"> <li>Waste segregation.</li> <li>Optimising energy use.</li> <li>Sewerage treatment plant under construction within smart city.</li> <li>Greencoast International School designed with no air-conditioning.</li> </ul>	
<b>SOCIAL AND RELATIONSHIP</b> 	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"> <li>Launched a Culture and Engagement Journey for employees.</li> <li>Dedicated teams for effective relationship management with relevant stakeholders.</li> </ul>	<b>Employee turnover rate</b> 14% (2018: 8%) <b>Payment in taxes</b> MUR 0.5 M <b>Visitors to L'Aventure du Sucre</b> 102,026 People
<b>INTELLECTUAL</b> 	Project timelines include adequate buffer time for obtaining permits.	<ul style="list-style-type: none"> <li>Land Management Department works full time on negotiations and obtaining permits.</li> <li>Audits of L'Aventure du Sucre from external tour operators.</li> </ul>	<ul style="list-style-type: none"> <li>Some permits for conversion of land are delayed.</li> <li>Following audits, L'Aventure du Sucre set up a steering committee to meet international health and safety requirements, including food safety.</li> </ul>
<b>FINANCIAL</b> 	<b>Property and Leisure total equity (Jan 2019)</b> MUR 5,547.4 M <b>Total borrowings</b> MUR 0.9 M <b>Capital expenditure</b> MUR 310.2 M	<ul style="list-style-type: none"> <li>Actively managed the financial performance through weekly executive meetings, monthly management meetings and quarterly Board meetings.</li> </ul>	<b>Turnover</b> MUR 214 M (v25%) <b>Profit (including profits on land sales)</b> MUR 268.7 M (v14%) <b>Property and Leisure total equity (Dec 2019)</b> MUR 4,844.1 M

## PROPERTY AND LEISURE (CONT'D)

### THE OPERATING CONTEXT

#### MATERIAL ISSUE IMPACTING VALUE CREATION OUR RESPONSE

**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.

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. In 2019 we noted a slowdown in Government decisions regarding permits, likely due to the general election. Our Land Management Department works full time on negotiations and obtaining permits, which remain key to our development.

**The changing competitive and business environment** – A potential oversupply of properties on the market, and other changing market dynamics, could result in low occupancy rates, a loss of revenue and reduced return on investment.

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 already secured the commitment of some key anchor tenants in the retail and boutique leisure sectors.

**Non-delivery by service providers** – The failure of any service provider to complete their commitments on time and in budget reduces our ability to deliver the full potential of our developments in a timely and cost-efficient manner.

Our experienced team conducts rigorous screening prior to contracting third party service providers, with provision for appropriate contractual remedies should the service provider underperform. We undertake regular quality controls during the construction phase to track delivery against the approved programme of works, and we ensure service providers are properly insured.

### OUR 2019 PERFORMANCE

This has been a pleasing third full year in operation with the launch of the Beau Plan Smart City in May 2019, an important milestone for us. We met our budget for the year, delivering profit after tax of MUR 268.7 million (up from MUR 236.1 million in 2018). Within the Smart City we started to develop several projects along with pre-planned communications and met most of our milestones on project delivery and sales for this first phase of development. We also made valuable progress in obtaining approval for the Balaclava Golf and Lifestyle Estate and additional land conversions for priority areas.

the anchor tenant is a supermarket (Intermart). We were also successful in attracting other well-known tenants and brands such as the Mauritius Commercial Bank and Kentucky Fried Chicken, amongst others. We are in discussion with other brands and are confident we will secure additional "pullers".

#### Launch of the Beau Plan Smart City

A significant milestone within the Smart City development this year was the development of our planned retail centre, Mahogany shopping promenade. Construction started mid-year and was at first affected by poor soil conditions; following consultation with experts and the implementation of mitigation measures, we managed to contain the issue. We have secured 80% of the leasing, attracting a good mix of reputable tenants, among which

We also started developing substantial infrastructure in Beau Plan to unlock several plots for development. We launched the sales of 'Les Muguets' residential serviced plots and Mango village duplex and apartments, our first built up residential project. Both launches were very successful. Marketing of 'The Strand' a new office park to be developed in the heart of the Smart City, has started in September and is well received by the market. We opened the Greencoast International School and the Mon Rocher Equestrian centre, concluding a few stages in our initial strategy, which was to develop a mixed number of activities in Beau Plan to bring more attractiveness to the region.

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## OUR 2019 PERFORMANCE (CONT'D)

The destination now offers educational, leisure, office, cultural, residential and soon to be shopping opportunities. Alongside, we are also investing substantially in the infrastructure to make Beau Plan more accessible to the public. The Mahogany shopping centre will be a key employer to the surrounding villages, helping us to fully integrate them in the development of the region. The success of a quick sale of our residential plots and duplex and apartments has given us confidence and reaffirms the great place that Beau Plan will become, as a world-class urban development in the north. Another major milestone in the year was getting approval from the Economic Development Board for the inclusion of the Balaclava Golf and Lifestyle Estate as an annex to the Beau Plan Smart City. Tenant satisfaction is on top of our priority list. As such, we maintain close relationship and engage with them to understand their needs and treat their requests within the minimum delay. We remain committed to the best level of service, as we feel that our clients are our best ambassadors. This will be particularly relevant when we open our shopping mall.

## OUR STRATEGIC OUTLOOK

The key components of the Beau Plan Smart City development have been put in place, including the foundational infrastructure, and our main focus for the year ahead will be to build on this momentum. Our 12,500 square metre retail centre in the heart of the Smart City was meant to open in November 2020. We also planned to start the construction of a new office building, bringing additional vibrancy to Beau Plan. In the light of the Covid-19 crisis, the opening of the Mahogany Shopping Promenade is now scheduled for March 2021 and the start of works for The Strand is being re-assessed.

We will start the construction of the first phase of Mango Village (26 units), the second phase of Greencoast International School and will implement the infrastructure for Les Muguets. We plan to be ready by December with the development plans for our sports centre to be implemented at Mon Rocher as from 2021, next to the equestrian centre. The activities within the Creative Park and comprising the Patrick Mavros atelier, the dance school and the African trader, will be further expanded.

Our biggest challenge will be the development of the Business City, an important precinct of our Smart City. Our aim is to attract local and international entrepreneurs to develop or relocate their businesses in Beau Plan. We are confident that the urban design framework of the city set in an exceptional landscape and controlled environment, will attract investors in search of long-term value gain.

In driving our developments, we have placed a strong emphasis on rationalising costs and improving efficiency at all levels across our activities. We are also working with the National Development Unit on land-drainage to support the Government's master plan on solving flooding problems in the north of the island. Beau Plan surroundings is regarded to be a flood prone area and flash floods could significantly impact the development. We started substantial drainage works in 2019 to mitigate potential flooding.

One of Terra's subsidiaries within the Property and Leisure cluster is Sugarworld Ltd. Operating under the brand name *L'Aventure du Sucre*, it runs a museum showcasing the history of sugar operations in Mauritius. In 2019 they posted a turnover of MUR 99.3 million, at par with 2018.

We will maintain a strong focus on managing the development costs of our projects, targeting efficiency at all different stages, from inception to operation. We will also be integrating environmental considerations to reduce our footprint, including a large sewerage treatment plant whereby greywater will be used in nearby fields for irrigation purposes. We will also look to developing solar energy within the prescribed schemes for Smart Cities.

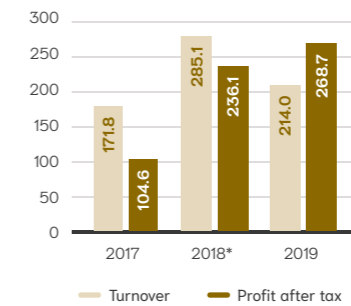
Over the mid-term (2023) we plan to develop the 200-hectare golf and lifestyle estate on the neighbouring 'Balaclava' coast for which development rights have already been obtained. The proposed 18-hole golf course and villas with beach access will fully complement our Smart City offering at Beau Plan.

We have been caught off balanced by the unprecedented Covid-19 pandemic. Our lives have changed drastically, the way we work has changed, some of our plans will change, but our vision remains, more than ever, the same for Beau Plan. It is clear that we will be impacted by the downturn in the economy and that we will need to monitor very closely how the market responds. Although at the time of publishing the confinement is over, and local economic activities have resumed, our total recovery will be highly dependent on the re-opening of our borders. *L'Aventure du Sucre* is principally a tourist attraction and the northern region is highly sought out by non-citizens for investment in real estate. Our team is fully mobilised and is telecommuting, with a special focus on this recovery period, to minimise the impact of the shutdown on the calendar of our different projects.

## PROPERTY AND LEISURE (CONT'D)

## PERFORMANCE GRAPHS

Turnover and Profit after Tax (MUR'M)



\*: The 2018 figures have been restated.

## BEAU PLAN SMART CITY MASTER PLAN

