DataPro

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CORPORATE RATING REPORT

MIXTA REAL ESTATE PLC

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By Marina Water Front
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October, 2022

MIXTA REAL ESTATE PLC

Long-Term Rating:

BBB

Short Term Rating: A2

Previous Rating:	BBB$^-$
Rating Outlook:	Stable
Trend:	UP
Currency:	Naira
Date Issued:	21 Oct., 2022
Valid Till:	20 Oct., 2023

Reference:

Abiodun Adeseyoju, FCA.
Abimbola Adeseyoju
Oladele Adeoye

This report is provided by DataPro subject to the Terms &Condition stipulated in our Terms of Engagement

EXECUTIVE SUMMARY

	2021 ₦'000	2020 ₦'000	2019 ₦'000	2018 ₦'000	2017 ₦'000
Turnover	1,796,961	4,680,482	4,005,918	4,105,644	19,049,971
Pre Tax Profit	5,843,689	353,747	(2,878,844)	(1,004,415)	7,945,482
Equity	55,855,662	44,924,873	33,012,969	35,937,065	38,722,169
Fixed Asset	244,758	231,285	195,370	76,715	92,643
Total Asset	136,018,747	114,706,853	96,172,558	79,241,886	70,889,545
Short-term Debt	41,684,191	43,721,594	40,313,967	29,983,564	21,195,281

Please Note that figures used in this report represents that of the company and not the group

Rating Explanation

The Short-Term Rating of **A2** indicates ***Fair Credit Quality*** and adequate capacity for timely payment of financial commitments.

The Long-Term Rating of ***BBB*** indicates ***Slight Risk***. It shows Fair Financial Strength, Operating Performance and Business Profile when compared to the standard established by ***DataPro***. This Company, in our opinion, has the ability to meet its ongoing obligations, but its financial strength is vulnerable to adverse changes in economic conditions.

RATING SYNOPSIS

The Rating took into consideration all relevant qualitative and quantitative factors to arrive at the assigned risk indicator.

The qualitative information used were based on industry and market intelligence including public information. The quantitative information was obtained from the Company's Audited and Management Accounts.

The risk factors were assessed using the Company's Capitalization, Earnings Profile, Liquidity, Corporate Governance, Regulatory Compliance and Sustainability of its current healthy profile in the medium to long term period.

Overall, the following were observed:

Strengths:

- Experienced Management Team
- Strong Brand Presence

Weaknesses:

- Weak Liquidity
- High Debt Profile
- Weak Revenue from Primary Source

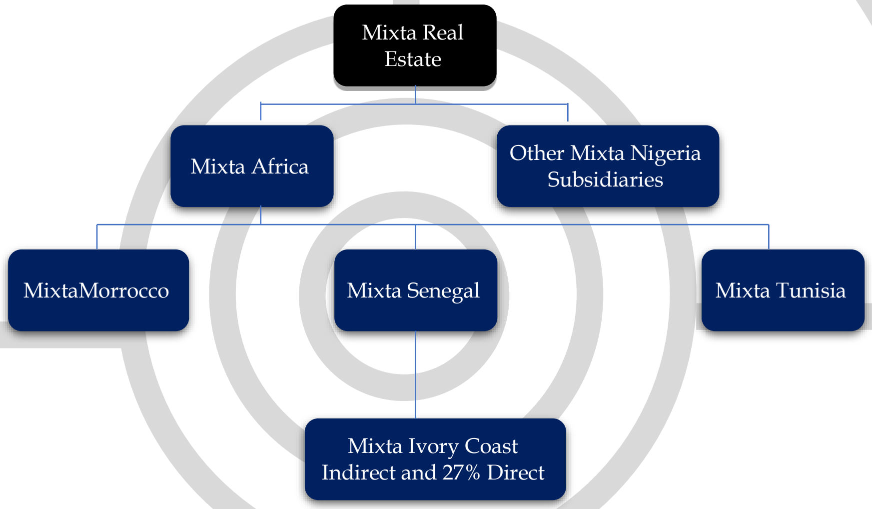
BACKGROUND

Mixta Real Estate Plc ("The Company") was initially incorporated as ***ARM Real Estate Investment Plc*** on the 6th of February, 2006. Its name ***was*** later changed to ***ARM Properties Plc*** on the 21st December 2007.

Mixta Africa is made up of: ***Mixta Morocco, Mixta Senegal, Mixta Tunisia and Mixta Ivory Coast, Mixta Real Estate Plc. Mixta's Subsidiaries*** are: ***Townsville Properties Ltd, Adivia Properties Ltd, Toll System Development Company Ltd, Mixta Affordable Housing Development Ltd, Summerville Golf Club Ltd and FP2 Ltd.***

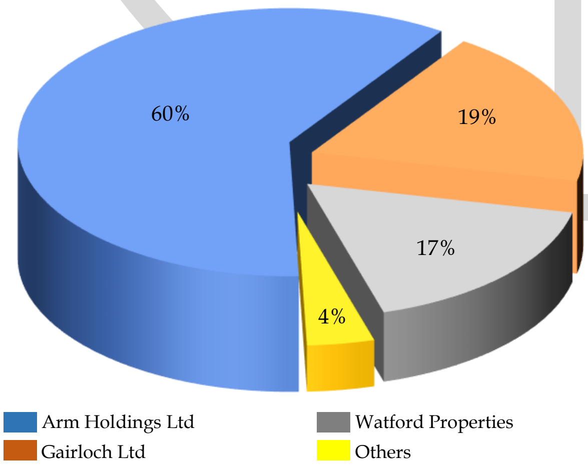
The Corporate Organogram of the Group is as presented.

MIXTA CORPORATE ORGANOGRAM



Source: *Mixta Real Estate Plc*

ANALYSIS OF SHAREHOLDING STRUCTURE



Source: Mixta Real Estate Plc

Aside the parent and subsidiaries relationship stated above, ***Mixta Nigeria*** also has a joint venture arrangement with an interest of 51% in ***Garden City Golf Estate Development Company Limited***.

The ownership of the Company is divided majorly among Asset ***and Resources Management Holdings Limited, Gairloch Limited*** and ***Watford Properties***.

The major activities of the Company are: Property Development and Investment Services. The Company has a diverse real estate portfolio with operations spanning the residential, commercial, and retail sectors of the Real Estate Industry. ***Mixta Nigeria*** executes medium to large-scale real estate development projects and provides real estate advisory services.

The property product portfolio of the Company includes: ***Waterfronts*** (Plots), ***Beechwood Park*** and ***The Cove***. As at August 2022, the Company had realized over ₦11b from these products. Aside the existing products, the Company embarked on new products in the year 2022. These are: ***Marula Park***, ***Lakowe Heights, Ule Garden, Newtown*** *and* ***Satellite***. These are all located in ***Lakowe*** area of ***Lagos State, Nigeria***. Other important projects include the Villa Bella, Village, RDP, Farapark 11 and Lagos New Town. The Company is also embarking on a new product in ***Abuja, Nigeria*** known as ***Express View***. Revenue estimates from each of these offerings range from ₦1.1b to ₦30b.

The Company has operations in five (5) African Countries. The Countries include ***Nigeria, Senegal, Cote d'Ivoire, Tunisia*** *and* ***Morocco***. ***Mixta Nigeria*** has a landbank of approximately 15million sqm across territories with a significant portion located in Lagos, Nigeria.

DIRECTORS' PROFILE

The following served as Directors during the year under review; ***Mr. Oladapo Oshinusi – Chairman; Mr. Deji Alli*** - *Chief Executive Officer*; ***Mr. Sadiq Mohammed; Mr. Benson Ajayi; Ms. Monica Musonda; Ms. Soula Proxenos*** *and* ***Mr. Ugochukwu Ndubuisi***

The Directors profile is as follow.

1. **Name:** Mr. Oladapo Oshinusi
   Position: Chairman
   Experience (Years): 20 years in petroleum engineering
   Education:
   - B. Sc – University of Ibadan
   - Harvard Business School

   Job Experience:
   - Mansfied Energy
   - Schlumberger
   - Main One Cable Company
   - Power Systems Limited
   - Mixta Africa SA

2. **Name:** Mr. Deji Alli
   Position: Chief Executive Officer
   Experience (Years): 32 years in property development & finance service
   Education:
   - B. Sc – University of Lagos
   - M Sc – University of Lagos
   - Chartered Institute of Mgmt. Accountant

	Job Experience:	•ARM Holding Co. • Prudential Portfolio Managers Ltd, UK • African Development Bank •Mixta Real Estate Plc
3.	**Name:**	Mr. Sadiq Mohammed
	Position:	Non-Executive Director
	Experience (Years):	30 years in property development & finance
	Education:	•B. Sc – Abubakar Tafawa Balewa •MBA – Carnegie-Mello University •MBA – University of Geneva •Harvard Business School
	Job Experience:	•KPMG Professional Services •Moorhouse Hotel •ARM Group •FMDQ OTC Plc •Lekki Concession Company (LCC) •PenOp •Mixta Real Estate Plc
4.	**Name:**	Mr. Benson Ajayi
	Position:	Executive Director
	Experience (Years):	28 years in finance and consulting
	Education:	•B. Sc. – Obafemi Awolowo University •MBA - Obafemi Awolowo University •Institute of Chartered Accountants of Nigeria
	Job Experience:	•Mixta Africa SA •Lekki Concession Co. (LCC) •ARM Holding Co •UAC Nigeria •NCR Nigeria Limited
5.	**Name:**	Ms. Monica Musonda
	Position:	Independent Executive Director
	Experience (Years):	16 years in investment management 7 consulting
	Education:	•LL.B – University of Zambia •LLM – University of London
	Job Experience:	•Java Foods •Airtel Networks Zambia Plc •Zambian Breweries •Dangote Industries •Mixta Real Estate Plc
6.	**Name:**	Ms. Soula Proxenos

Position:	Independent Non-Executive Director
Experience (Years):	30 years in Financial Services
Education:	•MBA – Stellenbosch University •BA – Witwatersrand University
Job Experience:	•International Housing Solutions •Johns Hopkins SAIS •Carey Business School •International Housing Solutions

7.	**Name:**	Mr. Ugochukwu Ndubuisi
	Position:	Executive Director
	Education:	•LLB – University of Ibadan • Nigerian Bar •MBA - University College London
	Job Experience:	•Asset & Resources Management Holding Company Ltd •Mixta Real Estate Plc

REAL ESTATE SECTORAL REVIEW

According to the ***National Bureau of Statistics,*** Nigeria's Gross Domestic Product grew by 3.54 per cent in the second quarter of 2022 on a year-on-year basis. This performance is higher when compared with the second quarter of 2021.

The Non-Oil sectors continued to drive the growth in GDP. This was due to the poor performance of the Oil Sector occasioned by pipeline vandalism and theft. The specific sectors contributing to the GDP growth are: Telecommunication, Trade, Financial and Insurance. Others include: Transportation, Agriculture and Manufacturing.

With the significant recovery since the fourth quarter of 2020, the growth outlook for the real estate sector and hospitality remains positive. The sector is set to continue expanding with the expectation that the worst of the Covid-19 pandemic has passed especially in the wake of the receipt of the various batches of vaccines.

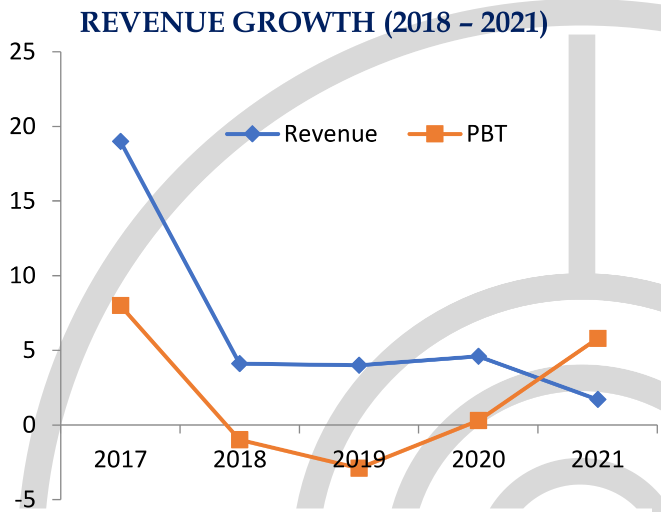
The Covid-19 pandemic was one of the biggest tipping points in the demand for industrial spaces, commercial real estate, retail stores, office spaces and the hospitality sector in the history of the Nigerian real estate market. The sector experienced some shock with the impact of the pandemic radically altering the industry's expectations.

Despite several challenges, Nigeria's real estate sector is set to continue expanding. The sector is set to benefit from the high rural to urban rate of migration, which has increased demand for residential and retail real estate. Furthermore, the continuous urbanization of the economy is bound to drive demand for commercial real estate. In the medium to long term, the fundamental case for real estate investment remains strong, especially given Nigeria's apparent infrastructure deficit, relative to its rapid urbanization.

The market is expected to record significant long-term growth in view of housing shortage creating demand.

FINANCIAL PERFORMANCE

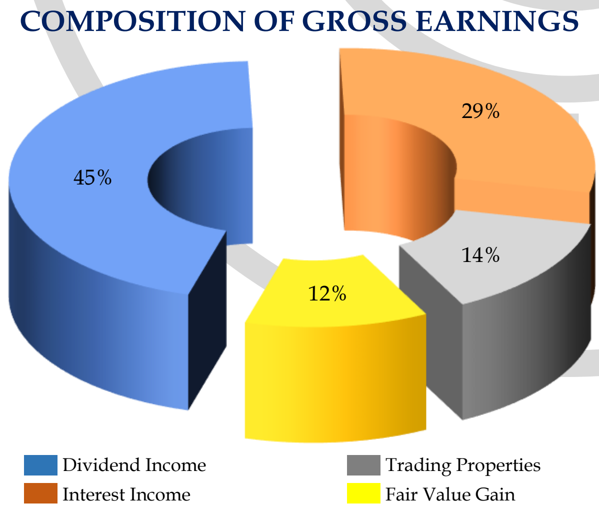
- ## EARNINGS AND PROFITABILITY PROFILE



Source: *Mixta Real Estate Plc*

The Company primarily generated Revenue from the Sale of Trading Properties during the year under review. This source of Revenue declined during the year by 62% from ₦4.6b (Yr. 20) to ₦1.7b (Yr. 21). However, Earnings were made from other sources such as Interest Income, Dividend Income and Fair Value Gains on Investment Property. Dividend Income provided the largest source of Revenue during the year. It amounted to ₦5.5b (Yr. 21) and made up 45% of the Total Revenue for the year.

Fair Value Gains were previously not recognized in 2020. It amounted to ₦1.5b (Yr. 21). However, Interest Income declined marginally from ₦3.8b (Yr. 20) to ₦3.6b (Yr. 21). This was due to the reduction in Interest Income from Loans to Related Entities.

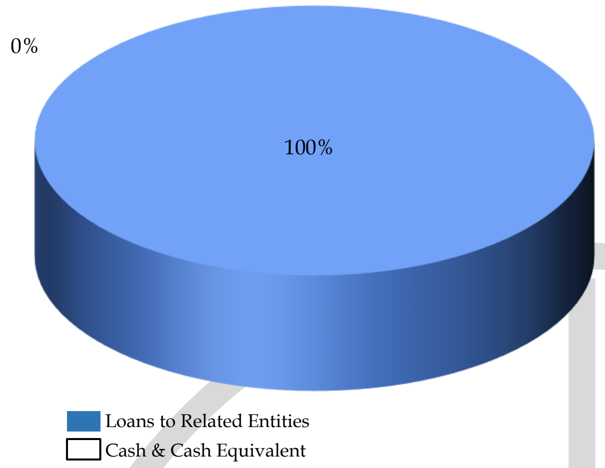


Source: *Mixta Real Estate Plc*

The Company made a loss on Trading Properties in 2021 due to the decline in Revenue from Trading Properties. The loss amounted to ₦318m (Yr. 21).

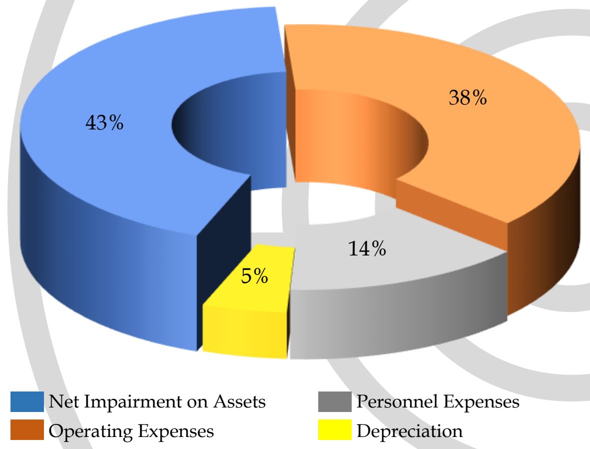
Overall, the Company's Total Expenses dipped during the year 2021 from ₦3.2b (Yr. 20) to ₦2.9b (Yr. 21). This was significantly driven by the decline in Personnel Costs. Staff related expenses went down from ₦720m (Yr. 20) to ₦423m (Yr. 21). The

DISTRIBUTION OF INTEREST INCOME



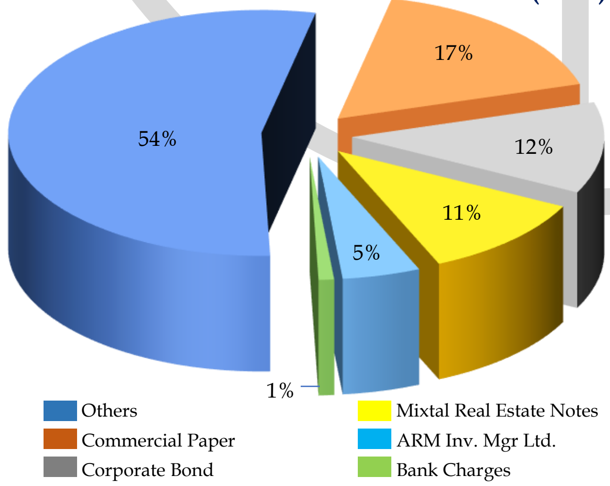
Source: *Mixta Real Estate Plc*

COMPOSITION OF TOTAL EXPENSES (2021)



Source: *Mixta Real Estate Plc*

COMPOSITION OF FINANCE COST (2021)



Source: *Mixta Real Estate Plc*

Operating Expenses of the Company also declined in 2021 from ₦1.1b (Yr. 20) to ₦1b (Yr. 21). The largest portion of Expenses in 2021 was Net Impairment on Assets. This remained relatively same for the years 2020 and 2021 at ₦1.2b.

Despite the decline in the Company's primary source of Revenue, the addition of Dividend Income from ***Toll System Development Company Ltd*** *(₦5.6b)* as well as Fair Value Gains (₦1.6b) led to improved Operating Profit during the year under review. It rose from ₦5.9b (Yr. 20) to ₦7.3b (Yr. 21).

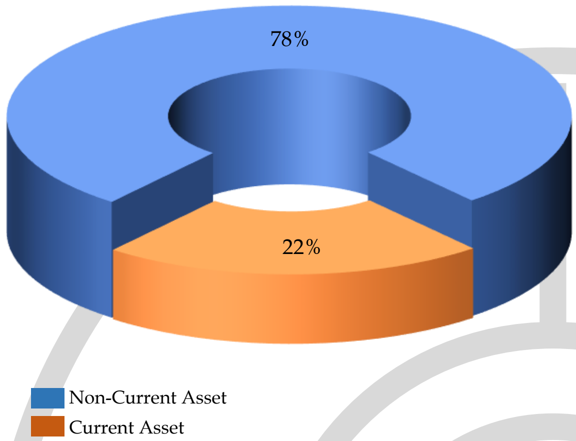
Aside the increased Operating Profit, Finance Costs also declined significantly in 2021. This was due to the maturity of the Company's Debt such as Commercial Papers as well as Corporate Bonds. These declined from ₦2.1b (Yr. 20) to ₦488m (Yr. 21) and ₦1.9b (Yr. 20) to ₦329m (Yr. 21) respectively.

The reduced Finance Cost as well as the improved Operating Profit led to a surge in Profit before Tax during the year under review. Profit Before Tax rose from ₦353m (Yr. 20) to ₦5.8b (Yr. 21). Consequently, all profitability indices improved during the year under review.

- ## CAPITALIZATION

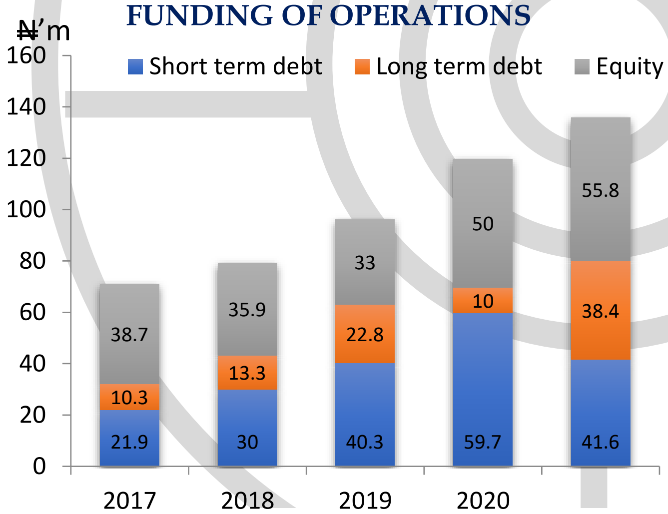
The Company grew its Total Assets during the year 2021 by 19% from ₦114b (Yr. 20) to ₦136b (Yr. 21). This growth was driven by increases in both Current and Non-Current Assets. Non-Current Assets constituted 78% of the Total Assets in the year under review.

BREAKDOWN OF THE TOTAL ASSET



Source: *Mixta Real Estate Plc*

FUNDING OF OPERATIONS



Source: *Mixta Real Estate Plc*

The Company issued its Ordinary Shares to ***ARM Holding Company Limited*** at the cost of ₦8.25 per Share**.** This is for the conversion of Irredeemable Debenture previously held in the Company. Consequently, Share Capital and Premium both grew in the year 2021. Share Capital rose from ₦4.9b (Yr. 20) to ₦5.9b (Yr. 21) while Share Premium rose from ₦35.5b (Yr. 20) to ₦50.9b (Yr. 21). The Company's Retained Earnings stood at ₦1.1b (Yr. 21). It rose from a negative position of ₦5.3b due to profit retention.

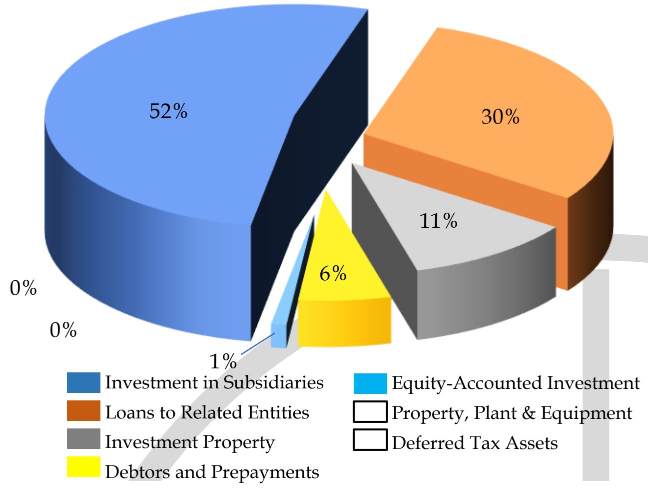
The Equity of the Company was boosted mainly by the improved Retained Earnings position as well as the increase in Share Premium. As a result, Equity rose from ₦44.9b (Yr. 20) to ₦55.8b (Yr. 21)

Equity as a proportion of Total Asset improved during the year from 39% (Yr. 20) to 41% (Yr. 20).

- ## ASSET UTILITY

Total Assets stood at ₦136b in the year under review. It comprised of Current and Non-Current Assets. However, Non-Current Assets constituted 78% of the Total Assets. It increased by 19% from ₦89b (Yr. 20) to ₦106b (Yr. 21). The growth was driven by the inclusion of Investment Property in the Non-Current Assets of the Company. It amounted to ₦11.5b (Yr. 21). This Investment Property was Land at ***Lakowe Village Lekki, Lagos***.

DISTRIBUTION OF NON-CURRENT ASSETS

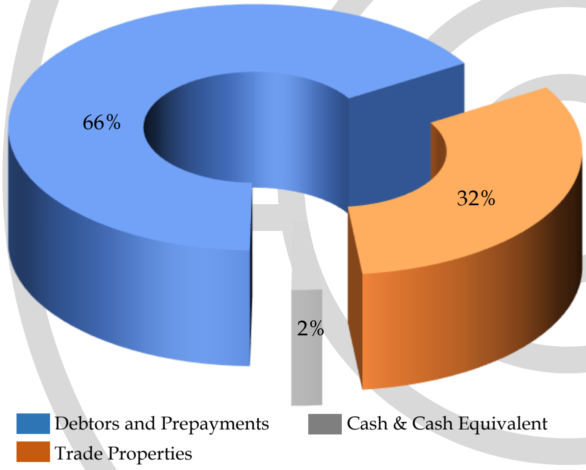


Source: *Mixta Real Estate Plc*

The Company's Investment in Subsidiaries also grew during the year from ₦50.2b (Yr. 20) to ₦54.9b (Yr. 21). This was due to increased Investment in ***Mixta SA***. Investment in Subsidiaries made up the largest portion of Fixed Assets.

The interest of the Company in its subsidiaries are: ***Toll System Development Company Limited*** *(directly 60% and indirectly 100%)*, ***Mixta Africa S. A. (40%) and Summerville Golf Club Limited (95.63%).***

COMPOSITION OF CURRENT ASSETS



Source: *Mixta Real Estate Plc*

Current Assets constituted 23% of the Total Asset. It grew by 16% from ₦25.3b (Yr. 20) to ₦29.5b (Yr. 21). This increase was driven by Trade Receivables and Trading Properties during the year. However, Cash and Cash Equivalents declined during the year from ₦5.1b (Yr. 20) to ₦512m (Yr. 21).

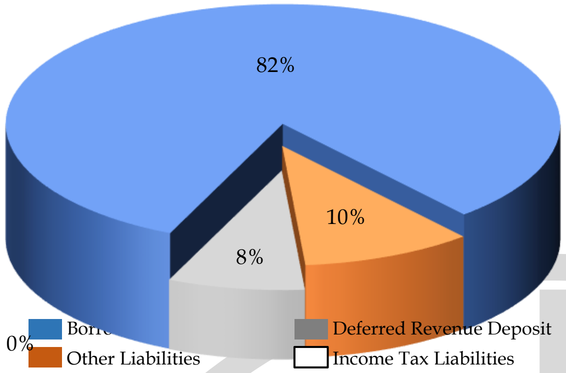
Ability of the Company to effectively utilize Assets to generate Revenue declined during the year 2021 due to the reduced Gross Earnings. It declined from 12% (Yr. 20) to 9% (Yr. 21). However, Profit to Total Assets improved significantly from 0.31% (Yr. 20) to 4.3% (Yr. 21).

LIQUIDITY

The Company's Total Liabilities rose from ₦69.7b (Yr. 20) to ₦80b (Yr. 21). The Company's Liabilities were mostly Current in Nature. However, the Company attracted Long Term Liabilities as well. This made up 48% of its Total Liabilities.

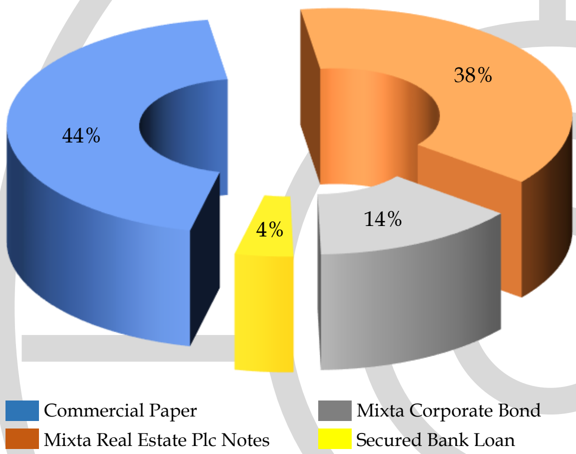
The major components of Current Liabilities are Borrowing (₦34b) and Other Liabilities &Accruals (₦4.3b) and Deferred Revenue (₦3.2b). Overall, the Current Liabilities declined in 2021 from ₦43.7b (Yr. 20) to ₦41.6b (Yr. 21). This was due to reduced Borrowings which also accounted for 82% of Current Liabilities during the year under review.

COMPOSITION OF CURRENT LIABILITIES



Source: *Mixta Real Estate Plc*

COMPOSITION OF BORROWING



Source: *Mixta Real Estate Plc*

The Company's Total Borrowings were significantly concentrated in ***Commercial Papers, Mixta Notes*** and ***Mixta Corporate Bond***.

The Company is currently exposed to ten (10) institutions. The institutions comprised of three Banks and Seven (7) other Related Companies. This is excluding Commercial Papers and Corporate Bonds which the Company has in its loan portfolio. The range of interest payable on the outstanding loan of the Company is 4% - 17% per annum.

Mixta Nigeria's Current Asset grew by 19% while Current Liability declined by 5%. As a result, Current Ratio went up from 58% (Yr. 20) to 71% (Yr. 21). The Company continued to generate Cashflows from its Operations. In 2021 Cashflows from Operations was ₦3.6b as against ₦3.5b during the year 2020.

CORPORATE GOVERNANCE & RISK MANAGEMENT

The affair of the Group is directed by its Board of Directors which consists of Three (3) Executives and (5) Non-Executives.

The Board of Directors has three (3) Principal Board Committees. They are: Audit and Risk Committee, Investment Committee and Nomination, Remuneration and Human Resources Committee.

RISK FACTORS

In the course of our review, we observed the following significant risks.

- **LEGAL RISK**

This is the risk that the Company will be exposed to legal actions that may lead to payment of significant fees.

In the course of our review, we did not come across any action that could lead to legal risk.

- **REPUTATIONAL RISK**

This is the risk that the Company may be exposed to reputational damage of its brand which may lead to loss of business.

In the course of our review, there was no negative public information or adverse press report against the Company or its Board of Directors. Additionally, The Group's Reputational Risk is managed closely with the Corporate Strategy Unit and the Marketing & Corporate Communication Unit.

- **CREDIT RISK**

This is the risk arising from the inability of counterparties to honour their obligations as at when due.

Based on our review, a significant amount of ₦19b representing 14% of total assets are in the hands of third parties. However, the Company has a Counterparty Policy which helps provide a framework for the Company's Credit Risk Management

- **LIQUIDITY RISK**

Based on our review, ***Mixta Nigeria*** maintained a current ratio of 71% (Yr. 21) as against 42% (Yr. 20). Additionally, the Company's borrowing constituted 53% of the total liabilities.

CONCLUSION

The Rating of the Company is supported by its Experienced Management Team and Strong Brand Presence.

However, it is constrained by weak liquidity and high debt profile. Consequently, we assigned a Rating of ***"BBB"***

FINANCES

Financial Position as at

	Company Dec., 2021 ₦'000	Δ%	Company Dec., 2020 ₦'000	Δ%	Company Dec., 2019 ₦'000
ASSETS					
Property and Equipment	244,757	5.83	231,284	18.38	195,370
Investment Property	11,500,000		-		-
Investment in subsidiaries	54,977,031	9.49	50,213,059	(0.00)	50,213,060
Equity-accounted investment	1,153,595	-	1,153,595	(19.88)	1,439,781
Loans to related entities	32,554,157	0.80	32,296,063	25.27	25,781,706
Trading properties	9,403,225	96.40	4,787,697	567.80	716,940
Debtors and prepayments	25,549,654	22.27	20,896,522	28.47	16,265,254
Deferred tax asset	124,281				
Cash and cash equivalent	512,046	(90.02)	5,128,632	228.66	1,560,447
	136,018,746	18.58	**114,706,852**	19.27	**96,172,558**
Liabilities					
Deferred tax liabilities	-		12,441	-	12,441
Deposit for shares	-		-		
Borrowings	46,598,807	(1.64)	47,374,575	50.98	31,377,582
Current income tax liability	48,346	(81.99)	268,386		265,198
Other liabilities and accruals	30,289,128	54.87	19,557,830	(98.47)	17,595,216
Provisions	-		-		
customer	3,226,804	25.62	2,568,748		2,260,294
Irredeemable debetures	-		11,648,858		11,648,858
Total Liabilities	**80,163,085**	(1.56)	**81,430,838**	28.93	**63,159,589**
Net Asset	**55,855,661**	67.86	**33,276,014**	0.80	**33,012,969**
Share and reserves					
Irredeemble debentures					
Share capital	5,908,451	20.23	4,914,135	-	4,914,135
Share premium	50,985,022	43.35	35,565,809	-	35,565,809
Common control acquisition deficit	(2,156,000)	-	(2,156,000)	-	(2,156,000)
Retains earning	1,118,189	(122.15)	(5,047,929)	(4.95)	(5,310,975)
Shareholders' funds	**55,855,662**	67.86	**33,276,015**	0.80	**33,012,969**
Profit & Loss Account					
Total revenue	6,865,735	(48.19)	13,251,424	46.42	9,050,304
Profit before income tax	5,843,689	1,551.94	353,747	(112.29)	(2,878,844)
Profit for the year	6,166,118	2,244.12	263,046	(109.00)	(2,924,096)
Trasfer to retained earnings	6,166,118	2,244.12	263,046	(109.00)	(2,924,096)

Financial Position as at

	Group Dec., 2021 ₦'000	Δ%	Group Dec., 2020 ₦'000	Δ%	Group Dec., 2019 ₦'000
ASSETS					
Property and Equipment	11,065,761	(1.38)	11,220,615	(1.52)	11,394,026
Goodwill	56,106	-	56,106	(14.32)	65,485
Investment property	94,219,845	25.42	75,120,794	15.75	64,900,794
Equity-accounted investment	1,044,456	18.94	878,143	(43.87)	1,564,547
Loans to related entities	3,381,968	(49.86)	6,745,105	39.55	4,833,365
Trading properties	41,009,032	(25.86)	55,313,615	2.80	53,809,372
Debtors and preparment	14,141,311	6.97	13,219,747	(23.14)	17,199,138
Cash and cash equivalent	2,682,416	(62.57)	7,166,184	125.21	3,182,034
	167,600,895	(1.25)	**169,720,309**	8.14	**156,948,761**
Liabilities					
Deferred tax liabilities	6,033,871	(4.05)	6,288,546	19.44	5,265,148
Deposit for shares	-		-		
Borrowings	67,738,877	(3.85)	70,452,440	26.68	55,612,976
Current income tax liability	784,498	(30.48)	1,128,397	(18.73)	1,388,429
Other liabilities and accruals	16,009,244	13.54	14,099,993	(13.57)	16,313,445
Deferred revenue-deposit from customer	9,185,294	(4.52)	9,620,493	(25.82)	12,968,545
Provision	-		-		-
Irredeemable debentures			14,041,128		11,648,858
Total Liabilities	**99,751,784**	(13.73)	**115,630,997**	12.05	**103,197,401**
Net Asset	**67,849,111**	25.44	**54,089,312**	0.63	**53,751,360**
Share and reserves					
Irredeemable debenture					
Share capital	5,908,451	20.23	4,914,135	-	4,914,135
Share premium	50,985,022	43.35	35,565,809	-	35,565,809
Common control acquisition deficit	(19,189,782)	15.74	(16,579,900)	16.86	(14,187,630)
Retains earning	25,812,724	(14.38)	30,149,665	11.00	27,162,162
Translation reserve	4,549,453				
Non-controlling interest	(216,757)	(647)	39,605	(87)	296,884
Shareholders; funds	**67,849,111**	25.44	**54,089,314**	0.63	**53,751,360**
Profit & Loss Account					
Total revenue	29,086,760	18.58	24,529,239	148.46	9,872,496
Profit before income tax	(2,829,720)	(241.28)	2,002,982	(170.84)	(2,827,290)
Profit for the year	(2,737,867)	(433.91)	819,941	(246.94)	(558,003)
Trasfer to retained earnings	(2,426,658)	(330.18)	1,054,250	(282.85)	(576,573)

Signed:
Name: **Oladele Adeoye**
Designation: Chief Rating Officer
Date: 21th October, 2022

For and on behalf of:
DataPro Limited
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USER GUIDE

DataPro's credit rating is an opinion of an issuer's/issues overall creditworthiness and its capacity to meet its financial commitment.

Our ***short-term*** ratings have a time horizon of less than 12 months in line with industry standards reflecting risk characteristics. The ratings place greater emphasis on the liquidity to meet financial commitment in a timely manner.

The long-term risk indicator is divided into 8 bands ranging from AAA through DD. Each band could be modified by + or –. With + representing slightly less risk than – . Such suffixes are not added to the 'AAA' long –term rating category and to categories below 'CCC'. Or to short-term rating older than A1+.

LONG-TERM RATING

Investment Grade

Indicator	Meaning	Explanation
AAA	Lowest Risk.	*(Superior)* Assigned to companies which have superior financial strength, operating performances and profile when compared to the standards established by *DataPro Limited.* These companies, in our opinion, have a Excellent ability to meet their ongoing obligations.
AA	Lower Risk	*(Excellent)* Assigned to companies which have excellent financial strength, operating performance and profile when compared to the standards established by *DataPro Limited*. These companies, in our opinion, have a very strong ability to meet their ongoing obligations.
A	Low Risk	*(Very Good)* Assigned to companies which have very good financial strength, operating performance and profile when compared to the standards established by *DataPro Limited*. These companies, in our opinion, have a strong ability to meet their ongoing obligation.
BBB	Slight Risk	*(Fair)* Assigned to companies which have fair financial strength, operating performance and profile when compared to the standards established by *DataPro Limited*. These companies, in our opinion, have an ability to meet their

current obligations, but their financial strength is vulnerable to adverse changes in economic conditions.

Non-Investment Grade

Indicator	Meaning	Explanation
BB	Moderate Risk	*(Marginal)* Assigned to companies which have, marginal financial strength, operating performance and profile when compared to the standards established by *DataPro Limited.* These companies, in our opinion have an ability to meet their current obligation, but their financial strength is vulnerable to adverse changes in economic conditions.
B	High Risk	*(Weak)* Assigned to companies which have, weak financial strength, operating performance and profile when compared to the standard established by *DataPro Limited*. These companies, in our opinion have an ability to meet their current obligation, but their financial strength is vulnerable to adverse changes in economic conditions.
CCC	Higher Risk	*(Poor)* Assigned to companies, which have poor financial strength, operating performance and profile when compared to the standards established *DataPro Limited.* These companies, in our opinion may not have an ability to meet their current obligation and their financial strength is extremely vulnerable to adverse changes in economic conditions.
DD	Highest Risk	*(Very Poor)* Assigned to companies, which have very poor financial strength, operating performance and profile when compared to the standards established by *DataPro Limited.* These companies, in our opinion may not have an ability to meet their current obligation and their financial strength is extremely vulnerable to adverse changes in economic conditions.

SHORT-TERM RATING

Indicator	Meaning	Explanation
A1+	Highest credit quality	Indicates the strongest capacity for timely payment of financial commitments. May have an added "+" to denote any exceptionally strong credit feature.
A1	Good credit quality	A satisfactory capacity for timely payment of financial commitments, but the margin of safety is not as great as in the case of the higher ratings.
A2	Fair credit quality	The capacity for timely payment of financial commitments is adequate. However, near term adverse changes could result in reduction to non-investment grade.
B	Speculative	Minimal capacity for timely payment of financial commitments, plus vulnerability to near term adverse changes in financial and economic conditions.
C	High default risk	Default is a real possibility. Capacity for meeting financial commitments is solely reliant upon a sustained, favorable business and economic environment. Indicates an entity that has defaulted on all its financial obligations.