

## DELTA AFRICA PROPERTY HOLDINGS LIMITED

(Registered by continuation in the Republic of Mauritius)

(Registration number 128881 C1/GBL)

JSE share code: DLA

SEM share code: DEL.N0000

ISIN: MU0473N00010

("Delta")



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## ACQUISITION OF 50% INTEREST IN TWO A GRADE ZAMBIAN RETAIL PROPERTIES ANCHORED BY MULTI-NATIONAL TENANTS WITH DOLLAR UNDERPINNED LEASES

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### 1. INTRODUCTION

1.1. Shareholders are advised that Delta has, through its wholly-owned subsidiary, Delta International Mauritius Limited, entered into an agreement ("**Acquisition Agreement**") with Rockcastle Global Real Estate Company Limited ("**Seller**"), Ndola Kafubu Investments Limited ("**NKI**") and Kitwe Mukuba Investments Limited ("**KMI**"), in terms of which Delta will purchase from the Seller –

1.1.1. all shares held by the Seller in NKI (amounting to 100% of NKI's issued share capital) and all amounts owing by NKI to the Seller, as at 1 December 2015 or such other date as may be agreed in writing between the parties to the Acquisition Agreement ("**Effective Date**"), (collectively, "**NKI Sale Equity**"); and

1.1.2. all shares held by the Seller in KMI (amounting to 100% of KMI's issued share capital) and all amounts owing by KMI to the Seller, as at the Effective Date, (collectively, "**KMI Sale Equity**"),

with the NKI Sale Equity and the KMI Sale Equity being hereafter collectively referred to as the "**Sale Equity**" and with the sale of the Sale Equity by the Seller and the purchase thereof by Delta, on the terms and conditions set out in the Acquisition Agreement, being hereafter referred to as the "**Transaction**".

1.2. NKI holds 50% of the ordinary shares in the issued share capital of Kafubu Mall Limited ("**KML**"), which, in turn, holds the rights to occupy the land in Ndola, Zambia on which the Kafubu Mall is situated and on which the letting enterprise conducted by KML is operated.

1.3. KMI holds 50% of the ordinary shares in the issued share capital of Mukuba Mall Limited ("**MML**"), which, in turn, holds the rights to occupy the land in Kitwe, Zambia on which Mukuba Mall is situated and on which the letting enterprise conducted by MML is operated.

1.4. Kafubu Mall and Mukuba Mall are collectively referred to as the "**Properties**".

### 2. RATIONALE FOR THE TRANSACTION

2.1. Delta has identified these dominant retail Properties in Ndola and Kitwe, Zambia and the 50% acquisition of the Properties presents a unique opportunity to enter a new market in Africa. Not only does the investment meet the rigid investment criteria of strong counter party leases, underpinned by long-term dollar-based leases, it also provides Delta with a strong in-country partner, who will provide invaluable knowledge and insight into the Zambian market.

2.2. The recent depreciation in the Kwacha, as well as the announcements by operators in the Zambian mining sector intending to re-engineer their operations to reduce production costs over the next 18 months, have allowed Delta to acquire the Properties on favourable terms. Delta has a long-term hold strategy for the Properties and has priced in the risks associated with the short-term mine closures.

2.3. The following salient points should be highlighted:

2.3.1. net Kwacha exposure is estimated at a maximum of 8.7% of rentals by the end of the 2016 financial year. All exposure to the Kwacha has been hedged by the Seller for a period of 12 months;

- 2.3.2. the Properties are seen as the dominant retail offering in their respective regions;
- 2.3.3. the tax incentives associated with the investments further enhance the yield accretion in Mauritius;
- 2.3.4. strong multi-national anchor tenants in both Malls:
  - 2.3.4.1. Kafubu Mall is anchored by Shoprite (33% of rentals). Other major tenants are: OK Furnishers (4%), Inncor Africa (5%), Spur (4%), Jet (4%) and Edgars Active (3%); and
  - 2.3.4.2. Mukuba Mall is anchored by Game (17% of rentals) Shoprite (14%), Pick n Pay (6%), Mr Price (6%). Other major tenants are: Woolworths (5%), Carnival Furnishers (4%), Inncor Africa (3%), Spur (3%), FNB (2%) and Barclays (2%); and
- 2.3.5. vacancies and arrears for both Properties are negligible.

### 3. PURCHASE CONSIDERATION

- 3.1. The consideration payable by Delta to the Seller –
  - 3.1.1. for the NKI Sale Equity, amounts to USD4,075,831 (four million and seventy five thousand eight hundred and thirty one United States Dollars) (“**NKI Consideration**”); and
  - 3.1.2. for the KMI Sale Equity, amounts to USD17,530,465 (seventeen million five hundred and thirty thousand four hundred and sixty five United States Dollars) (“**KMI Consideration**”),and these amounts will be paid by Delta to the Seller in cash on the Effective Date (these payments are non-refundable).
- 3.2. Delta intends to fund the purchase consideration by way of a vendor consideration placement of Delta shares to third parties and/or debt funding.

### 4. LOANS

- 4.1. On 18 November 2014 NKI, the Seller and Standard Bank of South Africa Limited (acting through its Corporate and Investment Banking Division) (“**Standard Bank**”) entered into a loan facility agreement, in terms of which Standard Bank granted loan facilities to NKI (“**NKI Facility Agreement**”).
- 4.2. On 28 August 2014 KMI, the Seller and Standard Bank entered into a loan facility agreement, in terms of which Standard Bank granted loan facilities to KMI (“**KMI Facility Agreement**”).
- 4.3. The total amount owing by NKI and KMI to Standard Bank under the NKI Facility Agreement and the KMI Facility Agreement, plus any interest accrued or capitalised thereon, plus any fees or other costs owing to Standard Bank thereunder (but less any early settlement fees or repayment fees) is referred to, respectively, as the “**NKI Facility Outstandings**” and the “**KMI Facility Outstandings**”.
- 4.4. Pursuant to the Acquisition Agreement -
  - 4.4.1. a loan facility agreement (“**NKI Loan Agreement**”) is to be entered into between the Seller (as lender) and NKI (as borrower), in terms of which the Seller will make loan facilities available to NKI for the purpose of, inter alia, advancing additional funds to NKI and/or discharging the NKI Facility Outstandings; and
  - 4.4.2. a loan facility agreement (“**KMI Loan Agreement**”) is to be entered into between the Seller (as lender) and KMI (as borrower), in terms of which the Seller will make loan facilities available to KMI for the purpose of, inter alia, advancing additional funds to KMI and/or to discharge the KMI Facility Outstandings,

with the NKI Loan Agreement and the KMI Loan Agreement being referred to collectively as the “**Loan Agreements**” and the amounts due by NKI and KMI to the Seller under the Loan Agreements being referred to as the “**Loan Outstandings**”.

- 4.5. The amounts due –
- 4.5.1. under the NKI Facility Agreement and the NKI Loan Agreement, as the case may be, will not exceed USD5,000,000 (five million United States Dollars); and
- 4.5.2. under the KMI Facility Agreement and the KMI Loan Agreement, as the case may be, will not exceed USD14,000,000 (fourteen million United States Dollars),

as at the Effective Date.

- 4.6. NKI, KMI and Delta will, prior to the Effective Date, furnish to the Seller all agreements and documents creating or evidencing the collateral security furnished (or to be furnished) by them in favour of the Seller, if required, as security for the obligations of NKI and KMI to the Seller in terms of the Loan Agreements ("**Security Documents**").
- 4.7. Delta will settle the Loan Outstandings within twelve months of the Effective Date ("**Final Loan Settlement Date**") by –
- 4.7.1. paying Standard Bank the aggregate of the KMI Facility Outstandings and the NKI Facility Outstandings; and/or
- 4.7.2. paying the Seller the Loan Outstandings.
- 4.8. It is intended that the NKI Facility Agreement and the KMI Facility Agreement will remain in place until the Loan Outstandings are settled, provided that at any time prior to the Final Loan Settlement Date –
- 4.8.1. Delta will be entitled to settle the Loan Outstandings; and/or
- 4.8.2. the Seller will be entitled to discharge the amounts due to Standard Bank under the NKI Facility Agreement and the KMI Facility Agreement (or any part thereof), in which event, any such payments made by the Seller shall be deemed to be advances made by the Seller to NKI and KMI in terms of the Loan Agreements, which advances shall be repayable to the Seller in terms of the Loan Agreements.

## 5. EFFECTIVE DATE

- 5.1. Possession and effective control (but not ownership) of the Sale Equity will, subject to the Seller receiving payment of the NKI Consideration and the KMI Consideration, pass to Delta on the Effective Date, from which date all risk and benefit in and to the Sale Equity shall pass to Delta.
- 5.2. Ownership of the Sale Equity will only pass to Delta against settlement of the outstanding loan amounts referred to in paragraph 4 above.

## 6. CONDITIONS PRECEDENT

- 6.1. The Acquisition is subject to the following conditions precedent ("**Conditions Precedent**"), namely that:
- 6.1.1. within 14 business days of the signature date of the Acquisition Agreement ("**Signature Date**"), the board of directors of Delta resolves, inter alia, to approve the conclusion and implementation of the Transaction, and such written resolution is delivered to the Seller;
- 6.1.2. within 14 business days of the Signature Date, the board of directors of the Seller resolves, inter alia, to approve the conclusion and implementation of the Transaction, and such written resolution is delivered to Delta;
- 6.1.3. within 14 business days of the Signature Date, the parties conclude the Loan Agreements and, to the extent required, the Security Documents;
- 6.1.4. within 14 business days from the Signature Date, Delta confirms in writing to the Seller that it is satisfied with the results of its due diligence investigation into the Sale Equity ("**Due Diligence Investigation**") in all respects and that it has, after conducting the Due Diligence Investigation, satisfied itself as to the absence of any grounds on which the implementation of the Transaction shall not proceed.

6.2. The Conditions Precedent referred to in:

6.2.1. paragraphs 6.1.1 and 6.1.2 have been inserted for the benefit of Delta and the Seller who are entitled to waive fulfilment of same by written notice to the other party on or before the due date of fulfilment of such Conditions Precedent;

6.2.2. paragraph 6.1.3 has been inserted for the benefit of the Seller, which is entitled to waive fulfilment of same by written notice to Delta on or before the due date for fulfilment of such Condition Precedent; and

6.2.3. paragraph 6.1.4 has been inserted for the benefit of Delta, which is entitled to waive fulfilment of same by written notice to the Seller on or before the due date for fulfilment of such Condition Precedent.

## 7. CURRENCY HEDGE

Delta has secured a Kwacha/USD hedge from the Seller in the Acquisition Agreement in respect of those tenants of KML and MML whose rentals in terms of their leases are denominated and paid in Kwacha, and which applies for a period of 12 months following the Effective Date.

## 8. WARRANTIES

The Seller has provided warranties to Delta that are standard for a transaction of this nature. Save for such warranties, the Sale Equity is purchased on the basis that it, and the underlying assets of NKI and KML, are taken as is with the exclusion of all common law and other remedies.

## 9. THE PROPERTIES

9.1. The details of the Properties are as follows:

Property Name and Address	Geographical Location	Sector	Gross Lettable Area (m <sup>2</sup> )	Weighted Average Gross Rental/m <sup>2</sup> (USD)
Kafubu Mall Corner President Ave. and T3 Highway	Ndola, Zambia	Retail	11,964	12.24
Mukuba Mall Corner Chiwala Ave. and Freedom Ave.	Kitwe, Zambia	Retail	28,235	14.45

9.2. Details regarding the Properties, as at the expected Effective Date of 1 December 2015, are set out below:

Property Name and Address	Purchase Yield Attributable to Shareholders	Weighted Average Escalation	Lease Duration (years)	Vacancy % by GLA
Kafubu Mall Corner President Ave. and T3 Highway	8.4%	5.2%	5 - 6	1.446%

Mukuba Mall Corner Chiwala Ave. and Freedom Ave.	8.4%	3.7%	5 - 6	1.445%
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Notes:

- a) The costs associated with the Transaction are estimated at USD 1,804,121.
- b) The Properties have been valued by Quadrant Properties Proprietary Limited, independent and registered professional valuers in terms of the Property Valuers Profession Act, No. 47 of 2000, who have attributed a value of USD68 660 714 to Mukuba Mall (as at 1 July 2015) and a value of USD22 513 587 to Kafubu Mall (as at 30 June 2015). Delta will effectively be obtaining a 50% interest in the Properties.

## 10. FORECAST FINANCIAL INFORMATION OF THE TRANSACTION

The forecast financial information relating to the Transaction for the financial periods ending 30 June 2016 and 30 June 2017 are set out below. The forecast financial information has not been reviewed or reported on by a reporting accountant in terms of section 8 of the JSE Listings Requirements and Chapter 12 of the SEM Listing Rules and is the responsibility of Delta's directors.

	Forecast for the 7 month period ending 30 June 2016 (USD)	Forecast for the 12 month period ending 30 June 2017 (USD)
Revenue – contracted income	2,043,792	3,580,536
Revenue – uncontracted income	31,655	55,457
Operating expenses	288,265	520,968
Operational net income	1,787,182	3,115,025
Net profit after tax	1,063,338	1,901,067
Earnings available for distribution	1,063,338	1,901,067

Notes:

- a. Contracted income is based on current signed leases, and assumes any lease that may expire during the period is renewed on the same terms and conditions.
- b. Uncontracted income (which is 1.52% of total rentals for both the 7 month period ending 30 June 2016 and the 12 month period ending 30 June 2017) is assumed as the rentals per lapsed leased proposals.
- c. Operating expenses do not contain any material individual expenditure items.

## 11. CATEGORISATION

- 11.1. The Transaction qualifies as a Category 2 acquisition for Delta in terms of the JSE Listings Requirements.
- 11.2. The Transaction constitutes an undertaking in the ordinary course of business of Delta and therefore does not fall under the scope of Chapter 13 of the SEM Listing Rules.
- 11.3. On implementation of the Transaction, NKI and KMI will become subsidiaries of Delta. In this regard, Delta confirms that the requirements of paragraph 10.21 of Schedule 10 of the JSE Listings Requirements will be complied with.

20 October 2015

**Directors:** Sandile Nomvete (chairman), Greg Pearson\*, Greg Booyens\*, Bronwyn Anne Corbett, Peter Todd (lead independent), Maheshwar Doorgakant, Chandra Kumar Gujadhur, Ian Macleod and Leon van de Moortele\*  
(\*executive director)

**Company Secretary:** Apex Fund Services (Mauritius) Ltd

**Registered address:** 4th Floor, Raffles Tower, 19 Cybercity, Ebene, Mauritius  
**Transfer secretary in South Africa:** Computershare Investor Services Proprietary Limited  
**Registrar and Transfer Agent (Mauritius):** Mauritius Computing Services Ltd  
**Corporate advisor and JSE Sponsor:** PSG Capital (Pty) Ltd  
**SEM sponsor:** Capital Markets Brokers Ltd

This Notice is issued pursuant to the JSE Listings Requirements, SEM Listing Rule 11.3 and the Securities Act of Mauritius 2005.

The Board of directors of Delta Africa Property Holdings Limited accepts full responsibility for the accuracy of the information contained in this communiqué.