

Delta Property Fund Limited

(Incorporated in the Republic of South Africa)

(Registration number 2002/005129/06)

Share code: DLT

ISIN: ZAE000172052

("Delta" or "the Company")

REIT status approved



ANNOUNCEMENT REGARDING THE ACQUISITION OF LETTING ENTERPRISES AND PROPERTIES

1. Introduction

Delta shareholders are advised that Delta ('the Purchaser'), has entered into various agreements with Orthotouch Limited ("the Vendor") for the acquisition of 15 property letting enterprises ("the Acquisition") together with their related immovable properties ("the Properties") as detailed in paragraph 4 below.

The effective date of the Acquisition is anticipated to be 1 August 2015.

2. Rationale for the Acquisition

The Acquisition is in line with Delta's strategy of actively pursuing yield accretive investment opportunities and leveraging its expertise as a sovereign underpinned REIT. Delta has historically upgraded lower grade assets to achieve good yield compression. Delta has an existing portfolio of three smaller assets located in the Bloemfontein central business node. The Acquisition provides an opportunity to further diversify Delta's geographic spread into Bloemfontein and offers redevelopment and letting opportunities which may lead to further value extraction for Delta shareholders.

The property manager who will be responsible for the Properties has significant representation in the regions in which the Properties are located. The Acquisition supports Delta's strategy of bulking up in regions where it has existing asset management and property management representation.

The majority of the Properties are leased on a month-to-month basis to predominantly national and provincial government tenants at below market rentals and this has been confirmed through a due diligence process. The board of directors of Delta ("the Directors") are of the opinion that, following refurbishments and upgrades to the assets, longer term leases at market related rates can be negotiated.

During the refurbishment of the properties Delta intends to make use of local contractors, sub-contractors and labour in order to support local employment creation.

The Acquisition is yield accretive at 11.4% based on actual income and excludes any existing vacancies in the Properties. Delta is of the opinion that it will be able to take advantage of this significant upside potential by filling these vacancies at market related rates.

The Acquisition culminates two years of extensive negotiations, including financial and legal due diligences, conducted by independent 3rd party advisers. During the legal due diligences the pending legal action with the Vendor was identified. In order to mitigate the risk, it was decided that Section 34 notices would be published and this process is currently underway.

3. Consideration for the Acquisition

The aggregate net purchase consideration for the Acquisition is R507 000 000 (five hundred and seven million Rand) (the "Purchase Consideration").

The Purchase Consideration excludes ancillary costs related to the Acquisition in the amount of R8 943 823 (eight million nine hundred and forty three thousand eight hundred and twenty three Rand) ("the Acquisition Costs").

No income has been attributed to vacant space in terms of determining the Purchase Consideration.

All capital expenditure requirements identified through the due diligence process have been negotiated into the Purchase Consideration.

The Purchase Consideration will be settled through a combination of debt funding (vendor loan of R202 800 000) and the issue of additional Delta shares to the vendor (R304 200 000).

4. Details of the Properties

Details of each Property, including inter alia the location, sector, weighted average rental per square meter, the purchase prices as well as the valuations attributed to the Properties, are set out below.

Property name	Location	Sector	GLA m2	Single or multi tenanted	Weighted average rental per m2 (1)	Purchase Consideration	Income including vacancies	Value (2)
22 & 24 George Lubbe Str	Bloemfontein, Free State	Office, Government	6 250	Single	32.17	15 070 554	2 173 630	15 070 554
Absa United	Bloemfontein, Free State	Office, Government	6 237	Multi	70.14	39 517 443	4 654 221	39 517 443
African Life	Bloemfontein, Free State	Office, Government	8 452	Multi	77.94	51 909 242	7 428 949	51 909 242
Classic Building	Bloemfontein, Free State	Office, Government	2 999	Multi	22.38	5 145 983	658 224	5 145 983
CNA Building	Bloemfontein, Free State	Office, Government	2 489	Multi	78.92	17 537 987	2 103 875	17 537 987
Domitek	Welkom, Free State	Office, Government	1 710	Multi	48.80	11 903 315	887 108	11 903 315
Edgars Kroonstad	Welkom, Free State	Office, Government	5 903	Multi	56.43	27 235 661	3 361 823	27 235 661
Fort Drury	Bloemfontein, Free State	Office, Government	10 476	Multi	108.76	102 712 664	13 019 776	102 712 664
Katleho	Bloemfontein, Free State	Office, Government	5 911	Single	65.64	39 630 735	4 530 047	39 630 735
Laboria House	Bloemfontein, Free State	Office, Government	3 954	Multi	66.10	15 288 397	2 608 919	15 288 397
Nedbank Building	Bloemfontein, Free State	Office, Government	2 457	Multi	74.01	13 680 822	1 817 143	13 680 822
SA Eagle	Bloemfontein, Free State	Office, Government	3 490	Multi	66.23	18 547 201	2 250 582	18 547 201
Sediba, Fountain VLU Building	Bloemfontein, Free State	Office, Government	10 282	Multi	80.37	78 915 324	8 655 029	78 915 324

Property name	Location	Sector	GLA m2	Single or multi tenanted	Weighted average rental per m2 (1)	Purchase Consideration	Income including vacancies	Value (2)
Standard Bank Nelspruit	Nelspruit, Mpumalanga	Office, Government	4 537	Multi	85.61	34 782 050	3 453 095	34 782 050
Trustfontein/Transtel	Bloemfontein, Free State	Office, Government	6 369	Multi	80.03	35 122 622	5 162 104	35 122 622
			81 516		72.42	507 000 000	62 764 524	507 000 000

Notes:

1. Based on the net rental income, excluding parking and/or recoveries, for the 12 month period from the anticipated date of transfer.
2. No independent valuation has been performed on the Acquisition. The value attributed to the Acquisition of R507 000 000 (five hundred and seven million Rand) ("the Value") was derived at by Delta's asset management company, MPI Property Asset Management Proprietary Limited.

5. Conditions precedent

The Acquisition is subject to, inter alia, the fulfilment or waiver of the following suspensive conditions:

- 5.1. written consent by the counter-parties to the lease agreements, relating to the Acquisition, consenting to the assignment of all of the respective Vendor's rights and obligations in terms of the leases to Delta;
- 5.2. approval by the JSE Limited ("the JSE") and Competition Commission, to the extent required; and
- 5.3. written confirmation from Delta confirming that Delta has the required funding available and/or confirmation that Delta has arranged for sufficient equity on such terms and conditions as are acceptable to the respective Vendor.

6. Unaudited pro forma financial effects of the Acquisition

The unaudited pro forma financial effects of the Acquisition on the net asset value and net tangible asset value per Delta share have not been disclosed as they are not significant.

7. Forecast information on the Properties ("Forecasts")

The Forecasts, including the assumptions on which they are based and the financial information from which they are prepared, are the responsibility of the Directors. The Forecasts have not been reviewed or reported on by the independent reporting accountants.

The Forecasts presented in the tables below have been prepared in accordance with Delta's accounting policies and in compliance with International Financial Reporting Standards.

Summarised Forecast in respect of the Acquisition:

	For the 7 months ended 29-Feb-16	For the 12 months ended 28-Feb-17
Rental income	42 946 164	77 685 981
Straight-line rental income accrual	362 927	27 097
Total revenue	43 309 091	77 713 079
Net operating profit before finance charges	31 973 640	58 319 269
Net operating profit after finance charges	20 068 137	34 450 270
Net profit after tax	20 068 137	34 450 270
Distributable earnings attributable to shareholders	20 068 137	34 450 270

Notes:

1. The forecast information for the 7 months ending 28 February 2016 has been calculated from the anticipated effective date of the Acquisition, 1 August 2015.
2. Contracted revenue is based on existing lease agreements. Uncontracted revenue in respect of the Acquisition amounts to 71.6% for the seven months ending 29 February 2016 and 84.6% for the year ending 28 February 2017.
3. The income above does not take into account any income attributable to vacant space in the Forecasts.
4. Net operating profit after finance charges includes asset management fees, property management fees and transaction costs.
5. Distributable income excludes any antecedent interest from the issue of new shares.
6. Finance charges have been assumed at an all-in rate of 8.75%.

8. Categorisation

The Acquisition is categorised as Category 2 transaction in terms of the JSE Limited Listings Requirements and accordingly does not require approval by Delta shareholders.

2 June 2015

Investment bank and sponsor

Nedbank