
ACQUISITION OF DILUCULO PROPERTIES AND WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

INTRODUCTION AND RATIONALE

Shareholders are referred to the cautionary announcement released on 26 January 2017. Indluplace is pleased to announce that it has concluded an agreement (the "**acquisition agreement**") to acquire the entire issued share capital of and claims against Diluculo Properties Proprietary Limited ("**Diluculo**") (the "**sale equity**") from Diluculo Investments Proprietary Limited ("**the seller**") for an aggregate purchase consideration of R475 000 000 (the "**transaction**"). Diluculo owns a portfolio of 1 319 residential units with 2 147 sqm of associated retail situated in Gauteng (95%) and the Free State (5%).

The transaction is in line with the Company's investment strategy to grow its residential property portfolio through the acquisition of yield enhancing properties. The Diluculo properties will complement the current Indluplace portfolio as it is similarly diverse in location, building type and value for money offering.

SALIENT TERMS OF THE TRANSACTION

Indluplace will acquire the sale equity from the seller with effect from the last day of the month in which the last suspensive condition to the transaction is fulfilled or waived (the "**closing date**"). The initial purchase consideration will be paid in cash on the second day after the closing date. The final purchase consideration will be adjusted up or down depending on the current assets and liabilities of Diluculo as at the closing date.

Diluculo has previously concluded an agreement to sell certain residential properties situated in Pennyville, the transfer of which has been delayed (the "**Pennyville sale**"). The proceeds of the Pennyville sale do not form part of the assets to be acquired by Indluplace in terms of the transaction. Prior to the implementation of the transaction, Diluculo will sell the Pennyville receivables to the seller. Diluculo has indemnified Indluplace against any losses arising from the Pennyville sale.

Diluculo Guarantee SPV Proprietary Limited and the Diluculo Guarantee SPV Owner Trust were established as part of an SPV structure to hold security in respect of certain loans granted to Diluculo by Absa Bank and to issue a guarantee in respect of such loans (the "**Diluculo SPV structure**"). These loans have been repaid.

The seller has provided Indluplace with an indemnity in respect of:

- part of the amount claimed from Diluculo pursuant to a zoning dispute; and
- any amounts owing to SARS pursuant to certain VAT and income tax returns.

The acquisition agreement includes warranties, undertakings and indemnities which are normal for a transaction of this nature.

SUSPENSIVE CONDITIONS

The acquisition agreement remains conditional upon:

- approval of the transaction by the Competition Authorities;
- approval by the shareholders of the seller approving the transaction in terms of sections 112 and 115 of the Companies Act 71 of 2008;
- approval of the transaction by the boards of directors of Indluplace and the seller respectively;
- the agreement in respect of the Pennyville receivables being signed and becoming unconditional;
- the seller delivering to Indluplace a copy of the audited annual financial statements of Diluculo for the 12 months ended 31 December 2016;
- the holding company of the seller issuing a letter of comfort in favour of Indluplace in respect of the obligations of the seller in terms of the acquisition agreement;
- the parties implementing certain transitional arrangements in respect of IT and property management systems;
- an agreement transferring the Diluculo SPV structure to Indluplace being concluded and Absa Bank and the seller being released from the security granted pursuant to the Diluculo SPV structure; and
- the seller delivering to Indluplace a copy of the written notification of the transaction to the South African Reserve Bank.

DETAILS OF THE PROPERTY PORTFOLIO

Diluculo owns the properties listed in the table below.

Property name	Geographical location	Category	Residential units (no)	Average residential rental/unit (R/month)	Total retail GLA (m ²)	Net retail rental (m ²)	Net operating income (R 000s)	Purchase price (R 000s)
Willowbrook	Centurion, Gauteng	Townhouse complex	100	5 253	-	-	4 633	46 332
Stone Arch	Germiston, Gauteng	Townhouse complex	222	4 738	-	-	9 135	91 327
Jози House	Johannesburg CBD, Gauteng	Highrise CBD	243	3 469	1150	178	8 915	82 546
Fasser House	Pretoria CBD, Gauteng	Highrise CBD	152	3 749	702	120	5 770	53 180
Parnon Court	Bloemfontein, Free State	Suburban block	71	3 728	-	-	2 396	22 183
Frederick House	Johannesburg CBD, Gauteng	Highrise CBD	138	3 878	295	143	5 207	47 338
Quagga	Pretoria, Gauteng	Townhouse complex	247	3 554	-	-	7 746	71 064
Syringa	Kempton Park, Gauteng	Townhouse complex	146	4 739	-	-	6 103	61 030
Total			1 319	4 063	2 147	154	49 905	475 000

The value of the property assets is R475 000 000. No independent valuations have been carried out on the individual properties. The board of directors of Indluplace is satisfied that the value attributable to the property portfolio is in line with the purchase consideration payable in respect of the sale equity. The board of directors of Indluplace is not an independent valuer and is not registered as professional valuer in terms of the Property Valuers Professional Act 47 of 2000.

Details of the property portfolio based on unit type, average monthly rental, number of units, percentage of units, number of vacant units and percentage of vacant units are set out in the table below.

Unit Type	Average rental (R/month)	Number of units	Percentage of units (%)	Number of vacant units	Vacancy (%)
Bachelor	3 182	134	10	3	2.2
One bedroom	3 782	443	34	10	2.3
Two bedroom	4 385	736	56	20	2.7
Other	5 150	6	0	-	-
Total	4 063	1 319	100	33	2.5

CATEGORISATION

The transaction is classified as a category 2 transaction in terms of the JSE Listings Requirements and accordingly will not require the approval of the Company's shareholders.

WITHDRAWAL OF CAUTIONARY

Following the release of this announcement, the cautionary announcement released on 26 January 2017 is withdrawn and caution is no longer required to be exercised by shareholders dealing in their Indluplace shares.

16 March 2017

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