

GRIT REAL ESTATE INCOME GROUP LIMITED

(previously known as Mara Delta Property Holdings Limited)

(Registered by continuation in the Republic of Mauritius)

(Registration number: C128881 C1/GBL)

SEM share code: DEL.N0000

JSE share code: GTR

ISIN: MU0473N00036

("Grit" or "the Company")



FIRST GHANAIAN BLUE CHIP OFFICE ACQUISITION

1. INTRODUCTION

- 1.1. Shareholders are hereby notified that on 15 March 2018, Grit signed a binding Heads of Agreement ("HoA") with Grit Accra Limited (its wholly-owned subsidiary incorporated in Ghana) ("Grit Accra"), Greenline Development Limited ("Seller"), Costa Beira Investment Holding Limited (a company to be incorporated in accordance with the laws of the Republic of Mauritius) ("Costa Beira"), Fouad Tabaa Chalabi, Nextrega Ghana Limited and Delta International Mauritius Limited ("DIML" and together with Grit Accra, the "Purchaser"), for the acquisition of an office complex known as 5th Avenue Corporate Offices, a commercial building located on the 1.22 acres parcel of land referenced as Parcel No. 15 Block 11 Section 015 and also known as Plot 32, Osu Avenue or Fifth Avenue Extension, Switchback Road Residential Area, West Cantonments, Accra Greater Accra, Ghana ("Property") and the corresponding rental enterprise on the Property as a going concern ("Rental Enterprise") (together, the "Acquisition").
- 1.2. The Seller is a property development and asset management company based in Accra, Ghana.

2. RATIONALE FOR THE ACQUISITION

- 2.1. The following salient points of the Acquisition should be highlighted:
 - 2.1.1. this is Grit's first acquisition in Ghana and it meets the rigid investment criteria of international blue-chip tenants underpinned by dollar-based leases;
 - 2.1.2. it is a strategic acquisition and results in geographical diversification of Grit's existing portfolio;
 - 2.1.3. Grit intends on acquiring further blue chip tenanted real estate in Accra;
 - 2.1.4. the acquisition will be held by Grit Accra, based in Ghana, which is 100% owned by DIML in Mauritius, which in turn is 100% owned by Grit; and
 - 2.1.5. the blue chip anchor tenant occupying 53% of the gross lettable area and contributing 58% of the rental stream is an information and communication technology public-private partnership with a mandate to provide e-solutions to government statutory agencies. The parent company of the second biggest tenant, occupying 34% of the gross leasable area and contributing 30% of the rental income, is a leading owner, operator and developer of wireless and broadcast communication towers and is listed on the New York Stock Exchange.

3. GHANA: A NEW INVESTMENT JURISDICTION FOR GRIT

- 3.1. Ghana has been a longstanding target country for investment and has been approved as a prospective investment jurisdiction by Grit, based on the following rigid investment criteria and principles established by Grit: (i) ability to repatriate funds; (ii) ability to mitigate and insure against political and currency risk; (iii) land tenure; (iv) ability to raise debt and (v) ability to conclude leases in hard currency.
- 3.2. Recent macro-economic and political developments in the country, and continued infrastructure improvements, continue to fortify Ghana, and Accra in particular, as one of West Africa's primary economic

and transport hubs. These strong fundamentals, along with the relevant investment opportunities being presented, reinforced Grit's resolve to actively pursue acquisitions in Ghana.

- 3.3. Grit's strategy in Ghana is to position itself as a partner to multinational companies committing to the country's expanding economy, in order to meet their corporate real estate needs. This would allow the Grit group ("**Group**") to transact in hard-currency, secure long-term leases with steady escalation and in some instances, defer in-country operational risk to listed parent companies. Such long-term tenancies would complement or even increase the Group's weighted average lease expiry, which stood at a healthy 7.4 years and an escalation of 3% in the last published results for the period ending 31 December 2017, which was achieved through new acquisitions and active asset management. This provides greater comfort around the income streams, and to the extent that Grit concludes accretive deals, would create value for shareholders.
- 3.4. Grit's board of directors believes that the promulgation of the real estate investment trust legislation in Ghana ("**REITs**") can be a catalyst for transforming the real estate sector in Ghana. Different stakeholders in Ghana are actively working to implement REIT legislation with compelling incentives. If implemented, this would provide Grit with further access to capital and the opportunity for tax efficient structuring.

4. PURCHASE CONSIDERATION

- 4.1. The Purchaser will acquire the Property and the Rental Enterprise from the Seller for USD 14,350,000, payable in cash to the Seller ("**Acquisition Price**").
- 4.2. The Acquisition Price would be fully funded through a debt facility which would be drawn down by the Purchaser and be paid to the Seller on the date of transfer of the Property.

Grit will also issue its shares valued at the last published net asset value per share of USD 152.67 cents with no entitlement to dividend prior to the issue of such shares, for a total value of USD 6,150,000, to Costa Beira for providing the Rental Guarantee in relation to the anchor tenant lease (as set out in paragraph 6 below) ("**Rental Guarantee**") and to cover legal fees and commissions. Costa Beira will pledge the Grit shares to and in favour of DIML until all the obligations of the Seller, Costa Beira and the shareholders of the Seller and Costa Beira have been met to the satisfaction of DIML.

- 4.3. The aggregate purchase consideration for the acquisition of the Property and the Rental Enterprise, together with the cost of the Rental Guarantee and other acquisition costs totals USD 20,500,000 ("**Purchase Consideration**").

5. CONDITIONS PRECEDENT

- 5.1. The Acquisition will be subject to the following conditions precedent ("**Conditions Precedent**"):
 - 5.1.1. the board of directors and the investment committee of the Purchaser approving and ratifying the conclusion of the HoA and all other agreements and transactions contemplated therein;
 - 5.1.2. written confirmation that the Purchaser has completed the technical, legal and financial due diligence on the Rental Enterprise, to the satisfaction of the Purchaser and remedial work to be attended to by the Seller at the Seller's cost and to the satisfaction of the Purchaser;
 - 5.1.3. the Purchaser securing the necessary guarantees to finance the transaction;
 - 5.1.4. the respective boards of directors of the Seller and the shareholders of the Seller approving the sale of the Rental Enterprise on the terms and conditions set out in the HoA;

- 5.1.5. the Seller having granted the second biggest tenant of the Property the right of first refusal by giving them 45 calendar days' notice, and such tenant having waived its right of first refusal or having indicated in writing that it does not choose to exercise its right to purchase the Property;
- 5.1.6. the Seller having obtained written consent to assign its rights to the Purchaser;
- 5.1.7. execution of 5-year leases from certain tenants of the Property at agreed market related lease terms and conditions and for the basic rental charges and fixed charges no less than those stipulated in the HoA;
- 5.1.8. the Seller providing the Purchaser with confirmation, to the satisfaction of the Purchaser, that the Seller is unconditionally entitled to sell the Rental Enterprise to Grit Accra in accordance with the terms of the HoA;
- 5.1.9. the parties to the HoA executing the transaction documents;
- 5.1.10. the Seller shall ensure that the building is zoned for the purpose that it is constructed and used; and
- 5.1.11. the parties to the HoA securing to the extent required all the necessary authorisations and consents.

6. RENTAL GUARANTEE

- 6.1. In terms of the HoA, Costa Beira guarantees to pay DIML or its nominee a total amount of up to USD4,072,310 ("**Guaranteed Amount**") if a new lease with the anchor tenant, is not concluded on the terms specified in the HoA. The anchor tenant currently occupies 2700m² of office space at the Property under an existing lease expiring on 30 March 2019. If a new lease is executed with the anchor tenant which meets the minimum duration and rental rates specified in the Rental Guarantee Agreement and otherwise reflects market-related terms and conditions, DIML would release Costa Beira from the Rental Guarantee.
 - 6.1.1. Should any rental from a new lease be less than the Guaranteed Amount, DIML or its nominee shall claim the shortfall from Costa Beira on a monthly basis, or if no lease is signed, the Purchaser shall claim the Guaranteed Amount from Costa Beira. Costa Beira shall forego any rights that it may have to dividends to which it may be entitled until such time as the claims against the Rental Guarantee is settled in full. At the option of the Seller, DIML or its nominee shall have the right to either sell the pledged Grit shares to make good any outstanding claims at the end of the Rental Guarantee period, or the Rental Guarantee period shall be extended and any outstanding claims may be settled through dividends that would have accrued to Costa Beira.
- 6.2. The Rental Guarantee shall terminate 2 years after the expiry of the current lease agreement between the Seller and the anchor tenant, being 30 March 2019.

7. EFFECTIVE DATE

The effective date of the transaction is the date on which the conditions precedent in paragraphs 5.1.1 to 5.1.9 are fulfilled ending with the execution of a deed of assignment and the deposit in an amount equal to the Acquisition Price is paid into an account held by the Seller with Barclays Bank Ghana Limited ("**Effective Date**").

8. WARRANTIES AND OTHER MATERIAL TERMS

- 8.1. The Seller, Costa Beira and the shareholders of Costa Beira provided the Purchaser with warranties and indemnities standard for a transaction of this nature.

9. THE PROPERTY

9.1. The details of the Property are as follows:

Property Name and Address	Geographical Location	Sector	Gross Leasable Area (GLA) (m ²)	Weighted Average Gross Rental/m ² /pm (USD)
5th Avenue Corporate Offices, Cantonments, Accra	Ghana	Office	5,070	33.11

9.2. Details regarding the Property, as at the expected Effective Date, are set out below:

Purchase Yield Attributable to Shareholders (Annualised)	Weighted Average Escalation	Weighted Average Lease Expiry in Years	Vacancy % by Gross Lettable Area
10.13%	3.95%	3 (see note below)	0%

Notes:

- a) The total costs associated with the Acquisition are estimated at USD 207,500 which would be settled in cash, a total rental guarantee fee and commission of USD 6,150,000 would be paid through a Grit share issue, which would be issued to Newco and would be issued at the last published net asset value per share of USD 152.67 cents.
- b) The Property has been valued, as at 31st December 2017 by Mr. Roger Hunting, Member of the Royal Institute of Chartered Surveyors (No. 115) and Mr. Justin Weiner, Professional Associated Valuer (No. 6307) at USD21,100,000.

10. FORECAST FINANCIAL INFORMATION OF THE ACQUISITION

10.1. The forecast financial information relating to the Acquisition for the financial periods ending 30 June 2018 and 30 June 2019 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 Grit's directors.

	Forecast for the 5-month period ending 30 June 2018 (USD)	Forecast for the 12-month period ending 30 June 2019 (USD)
Revenue – contracted income	954,241	2,358,982
Revenue – uncontracted income	-	-
Near contracted revenue	-	-
Non-rental revenue	-	-
Operating expenses	(74,087)	(180,780)
Operational net income	880,154	2,178,202

Net profit after finance costs and tax	2,915,265	1,673,669
Earnings available for distribution	348,416	882,887
Forecast distribution	229,712	603,757

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) There is no uncontracted revenue or near contracted revenue in this Acquisition.
- c) The above net profit after finance costs and tax includes fair value adjustments based on an annual discount cash flow revaluation at a discount rate of 12.25% and exit yield of 9.50%.
- d) The net profit after tax excluding fair value adjustment is equal to the above earnings available for distribution. The earnings available for distribution, adding back the debt amortisation fee being a non-cash item and less the tax prepayment, is equal to the forecast distribution.
- e) The Acquisition is anticipated to enhance the Company's previously forecasted distributions as from the financial year 2018.

11. CATEGORISATION

- 11.1. The Acquisition qualifies as a category 2 acquisition for Grit in terms of the JSE Listings Requirements.
- 11.2. The Acquisition constitutes an undertaking in the ordinary course of business of Grit and therefore does not fall under the scope of Chapter 13 of the SEM Listing Rules.

15 March 2018

JSE sponsor and corporate advisor to Grit



SEM Authorised Representative and Sponsor to Grit



Directors: Sandile Nomvete (chairman), Bronwyn Corbett*, Peter Todd (lead independent), Chandra Gujadhur, Ian Macleod, Leon van de Moortele*, Matshepo More, Nomfundo Nomkosi Nomzamo Radebe and Catherine McIlraith (*executive director)

Company secretary: Intercontinental Fund Services Limited

Registered address: c/o Intercontinental Fund Services Limited, Level 5, Alexander House, 35 Cybercity, Ebene 72201, Mauritius

Transfer secretary (South Africa): Computershare Investor Services Proprietary Limited

Registrar and transfer agent (Mauritius): Intercontinental Secretarial Services Limited

JSE sponsor: PSG Capital Proprietary Limited

Sponsoring Broker: Axys Stockbroking Limited

SEM authorised representative and sponsor: Perigeum Capital Ltd

This notice is issued pursuant to the JSE Listings Requirements, SEM Listing Rule 11.3 and the Mauritian Securities Act 2005. The Board of the Company accepts full responsibility for the accuracy of the information contained in this communiqué.