ATTACQ LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1997/000543/06)
JSE share code: ATT   ISIN: ZAE000177218
(Approved as a REIT by the JSE)
("**Attacq**")

CONVERSION TO A REAL ESTATE INVESTMENT TRUST ("REIT")

CONVERSION TO A REIT

Shareholders are referred to Attacq's SENS announcement on 13 June 2017 wherein shareholders were advised of Attacq's intention to convert to a REIT.

Attacq listed on the JSE as a property company in October 2013 focusing on long-term sustainable capital growth. Since listing, Attacq has completed 38 developments including the Mall of Africa, adding 526 315 m^2 of gross lettable area to the portfolio.

Due to significant progress made in actively recycling capital and converting developable bulk to enhance its quality portfolio, Attacq is pleased to announce that its conversion to a REIT has been approved by the JSE with effect from 29 May 2018.

As previously disclosed, Attacq is targeting a maiden distribution payment of 73 cents per share, payable in October 2018, for the year ended 30 June 2018. The guidance has not been reviewed or reported on by Attacq's auditors.

TAX CONSIDERATIONS TO ATTACQ BEING CONVERTED TO A REIT

With effect from 1 April 2013 a unified system was created for taxing REITs.

The legislation has been drafted in line with international norms on the basis that the objective of a REIT is to provide investors with a steady rental stream whilst also providing capital growth that flows from the investment in the underlying property.

In order to qualify as a REIT for tax purposes, the entity must be a South African tax resident and its securities must be listed on the JSE as securities in a REIT.

A REIT is entitled to claim a deduction in respect of all qualifying distributions made by it. The deduction does not apply to any dividends in the form of share buybacks. In order to become a qualifying distribution at least 75% of the gross income received by or accrued to a REIT must consist of rental income. The concept of rental income is not only defined with reference to amounts received or accrued in respect of the use of immovable property such as rental, but also includes, amongst others, –

- a penalty or interest in respect of the late payment of rentals;
- a dividend from a company that is a REIT at the time of the distribution of the dividend;
- a qualifying distribution from a company that is a controlled company at the time of that distribution; or
- a dividend or a foreign dividend from a company that is a property company at the time of that distribution.

By being able to claim a deduction in respect of these qualifying distributions, the tax liability of a REIT is expected to be minimal.

The consequence of being able to claim a deduction in respect of qualifying distributions is that the dividends distributed by a REIT to resident shareholders will be subject to normal tax and will not be exempt. However, no additional dividends tax will be payable in respect of these distributions which are subject to income tax. With effect from 1 January 2014, dividends that are distributed by a REIT to foreign shareholders are subject to dividends withholdings tax.

The tax dispensation that applies to REITs also applies to so-called controlled companies. A controlled company is a company that is a subsidiary of a REIT as defined in terms of IFRS. In other words, the requirement is to be

determined from an IFRS perspective and not from a company law perspective. The effect is that a controlled company can make deductible distributions to the REIT for so long as the 75% rental test is satisfied.

A second category of companies that is relevant for a REIT is that of a property company. This is a company in which 20% or more of the equity shares or linked units are held by a REIT or a controlled company and of which at the end of the previous year of assessment 80% or more of the value of the assets, as reflected in the annual financial statements of such property company for the previous year of assessment is, directly or indirectly, attributable to immovable property. Even though this type of entity is not entitled to deduct distributions, the distributions so received by a REIT from a property company will qualify as rental income.

Pursuant to being classified as a REIT for tax purposes, capital gains or losses that arise in respect of the disposal by a REIT or a controlled company of the following assets are to be ignored for capital gains tax purposes –

- immovable property;
- a share or a linked unit in a company that is a REIT at the time of the disposal; or
- a share or a linked unit in a company that is a property company at the time of the disposal.

Proceeds from assets disposed of as part of a scheme of profit making or which were held as trading stock must still be included in the gross income of the REIT and, subject to available deductions, including the deduction of qualifying distributions, may be subject to tax in the hands of the REIT.

A REIT or controlled company cannot claim allowances in respect of immovable property in terms of sections 11(g), 13, 13*bis*, 13*quat*, 13*quin* or 13*sex* of the Income Tax Act.

The aggregate amount of the deductions that can be claimed by a REIT in respect of a qualifying distribution may not exceed the taxable income for that year of assessment of that REIT or the relevant controlled company, before taking into account –

- any deduction of an amount as envisaged in section 25BB of the Income Tax Act;
- any assessed loss brought forward in terms of section 20 of the Income Tax Act; and
- the amount of taxable capital gain included in taxable income in terms of section 26A of the Income Tax Act.

Both the acquisition and disposal of shares in a REIT are exempt from the payment of securities transfer tax.

29 May 2018

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