DIPULA INCOME FUND LIMITED
Incorporated in the Republic of South Africa
Registration number: 2005/013963/06
JSE share code: DIA ISIN: ZAE000203378
JSE share code: DIB ISIN: ZAE000203394
(Approved as a REIT by the JSE)
("**Dipula**" or the "**Company**")

ANNOUNCEMENT REGARDING:

- **THE FIRM INTENTION OF DIPULA TO MAKE AN OFFER TO REPURCHASE ALL DIPULA A SHARES BY SCHEME OF ARRANGEMENT;**
- **THE PROPOSAL OF AN UNDERWRITTEN EQUITY RAISE OF R1 BILLION, INCLUDING THE ACQUISITION OF A 50% UNDIVIDED SHARE IN CIRCUS TRIANGLE RETAIL CENTRE; AND**
- **THE WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT**

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1. INTRODUCTION

1.1. Shareholders are referred to the announcements published on SENS on 27 August 2021 and 22 September 2021, wherein shareholders were advised that Resilient REIT Limited ("**Resilient**") proposed making an investment in Dipula subject to conditions including the conclusion of formal agreements and provided that Dipula simplifies its dual share capital structure into a single class of ordinary shares.

1.2. Shareholders are advised that on 14 October 2021, Dipula and Resilient (through its wholly-owned subsidiary, Resilient Properties Proprietary Limited) concluded formal agreements pursuant to which Dipula intends to propose to its shareholders:

1.2.1. an equity capital raise by Dipula of R1 billion ("**Equity Raise**") comprising –

1.2.1.1. an amount of R404.5 million to be invested by Resilient through the disposal of investment property of equal value, in exchange for an issue of new Dipula B shares ("**DIB shares**"); and

1.2.1.2. the balance of the Equity Raise to be undertaken by issuing new DIB shares for cash, with Resilient underwriting this balance; and

1.2.2. a scheme of arrangement between Dipula and the holders of Dipula A shares ("**DIA shares**") in terms of section 114(1) read with section 115 of the Companies Act, 71 of 2008 ("**Companies Act**"), whereby Dipula will offer to repurchase all issued DIA shares in exchange for a combination of DIB shares and cash ("**Scheme**"),

(the Equity Raise and the Scheme collectively being referred to as the "**Transaction**").

1.3. The Transaction is an opportunity to improve the outlook for and positioning of Dipula and its shareholders, the objectives being that Dipula achieves a simplified share capital structure (consisting of a single class of ordinary shares) and obtains the benefit of a strategic relationship with Resilient whereby Resilient and Dipula will be co-owners of a retail centre. Resilient will hold a meaningful shareholding in Dipula and will have the right to nominate an appointment to the board of directors of Dipula ("**Board**").

2. BACKGROUND AND RATIONALE

2.1. Dipula is an internally managed, South African focused Real Estate Investment Trust ("**REIT**") that owns a sectorally and geographically diversified property portfolio, weighted towards convenience and township retail, which has proven defensive in the current market.

2.2. Dipula's share capital structure comprises listed DIA and DIB shares. DIA shares have preferential entitlements to dividends (if declared), which are not cumulative, and DIA shareholders do not participate in any residual dividends in excess of their preferential entitlement. The DIA shares' preferential entitlement to dividends (if any) is on a per share basis (and does not dilute if Dipula issues further DIA shares) and the preferential entitlement to dividends grows annually by the lower of CPI and 5%. DIB shares are the "ordinary" equity of Dipula, receiving any residual dividend after settlement of the DIA shares' preferential dividend entitlement.

2.3. Dipula's portfolio has a solid performance history including through the challenging trading environment created by COVID-19 and exacerbated by the civil unrest that unfolded in parts of South Africa during July 2021. Dipula's reported distributable earnings per share ("**DEPS**") and net asset value ("**NAV**") per share, DEPS guidance provided for the year ended 31 August 2021 ("**FY 2021**") and year ending 31 August 2022 ("**FY 2022**"), and DIA and DIB share performance are set out below:

ZAR cents	**Year ended 31 Aug 17**	**Year ended 31 Aug 18**	**Year ended 31 Aug 19**	**Year ended 31 Aug 20**	**Six months ended 28 Feb 21**	**Year ended 31 Aug 21**(2)	**Year ending 31 Aug 22**(2)
DIA DEPS	101.30	105.81	110.25	114.49	59.02	118.72	124.06
Growth		*4.5%*	*4.2%*	*3.8%*	*3.1%*(1)	*3.7%*	*4.5%*
DIB DEPS	95.50	99.68	82.71	54.46	45.10	89.69	84.35
Growth		*4.4%*	*(17.0%)*	*(34.2%)*	*65.6%* (1)	*64.7%*	*(6.0%)*
Aggregate DIA and DIB DEPS	196.80	205.49	192.96	168.95	104.12	208.41	208.41
Growth		*4.4%*	*(6.1%)*	*(12.4%)*	*23.3%*(1)	*23.4%*	*0.0%*

ZAR cents	**At 31 Aug 17**	**At 31 Aug 18**	**At 31 Aug 19**	**At 31 Aug 20**	**At 28 Feb 21**	**At 25 Aug 21**
Aggregate DIA and DIB NAV per share	2 026	2 006	2 050	2 000	2 118	2 118(3)
Aggregate DIA and DIB share price	2 020	1 805	1 598	683	707	1 299
DIA share price	995	960	1 050	559	555	880
DIB share price	1 025	845	548	124	152	419
Aggregate DIA and DIB share price:NAV	1.00	0.90	0.78	0.34	0.33	0.61
Discount to NAV	(0.3%)	(10.0%)	(22.0%)	(65.9%)	(66.6%)	(38.7%)

Notes:

1. DEPS growth for the six-month period ended 28 February 2021 ("**H1 2021**") is shown on an annualised basis relative to DEPS for the year ended 31 August 2020 ("**FY 2020**").
2. DEPS for FY 2021 and FY 2022 are based on guidance provided by Dipula in its trading statement released on 22 September 2021. For FY 2022 the DIA shares' preferential entitlement to dividends is assumed to grow by 4.5%.
3. NAV per share is the latest reported being at 28 February 2021.

2.4. Dipula's shares are substantially illiquid. Share trading prices (with pricing considered as the aggregate DIA and DIB share price), while volatile, have consistently been at a discount to NAV and do not correlate to Dipula's operational performance reflected in its distributable earnings. The Board has considered the complexity and negative impact of Dipula's dual share capital structure and believes that it would be in the best interest of Dipula to have a single class of ordinary shares, which would unlock value for all shareholders.

2.5. Historically, with the exception of FY 2020 in respect of which no dividends were paid due to liquidity constraints, Dipula has declared 100% of its distributable earnings as dividends. Dipula returned to a dividend paying position in respect of H1 2021, paying 100% of distributable earnings as dividends. Dipula's trading statement released on 22 September 2021 provides guidance on Dipula's distributable earnings in respect of the six-month period ended 31 August 2021 ("**H2 2021**") and FY 2022. No dividend for H2 2021 has yet been declared and this remains subject to Board decision.

2.6. When Dipula listed with a dual share capital structure, it operated in a more benign and higher-growth environment. In the current environment, Dipula is unable to raise equity unless it can achieve a simplified share capital structure, and it would be imprudent and impractical to finance its capital requirements out of debt. Dipula's capital requirements include reduction or amortisation of its debt and capital expenditure programmes required to enhance its property portfolio and to take advantage of asset management and strategic opportunities.

2.7. The dividend rules applicable to Dipula's dual share capital structure are premised on a 100% payout being applied to its distributable earnings. If this is no longer appropriate, Dipula will evaluate its alternatives. The Board's view is that it would be in the Company's best interest not to pay any dividends rather than to pay out only a portion of its distributable earnings while it has a dual share capital structure. If the Company no longer meets the distribution requirements of a REIT, it would become a property entity that ceases to hold REIT status under the JSE Listings Requirements. In these circumstances, Dipula would retain its distributable earnings and, after meeting its capital requirements, would reduce its gearing over time.

2.8. The Board is of the view that, if the Transaction is approved and implemented, Dipula will be positioned to unlock value for shareholders with greater investor demand for its shares and, with a better rated and more liquid share, Dipula would have attractive consolidation and strategic opportunities within the property sector.

3. TERMS OF THE TRANSACTION

The key terms and conditions of the Transaction are set out below. The steps outlined would be inter-conditional (except as stated) and capable of implementation only upon fulfilment of all suspensive conditions to each step.

3.1. Step 1: Equity Raise

3.1.1. Dipula will seek specific authority from its shareholders to undertake the Equity Raise, on the basis that –

3.1.1.1. the manner in which the Equity Raise will be undertaken, which may for example include a rights issue, claw-back issue, accelerated bookbuild issue or other specific issue/s for cash, will be determined by Dipula in due course;

3.1.1.2. the Equity Raise will include the issue of DIB shares to Resilient as part of the Circus Triangle Transaction referred to below;

3.1.1.3. the Equity Raise will include the issue of DIB shares to Resilient for cash as part of the Resilient Cash Subscription referred to below, to the extent applicable; and

3.1.1.4. the Equity Raise may (except insofar as it includes the Circus Triangle Transaction and the Resilient Cash Subscription) be undertaken even if the Scheme is not implemented.

3.1.2. In terms of a sale of rental enterprise agreement concluded between Dipula and Resilient on 14 October 2021 ("**Circus Triangle Acquisition Agreement**") Dipula will acquire from Resilient, with commercial effect from 1 September 2021, a 50% undivided share in the rental enterprise known as Circus Triangle for R404.5 million (being 50% of the agreed property value), to be settled by the issue of 114 589 235 DIB shares at an issue price of R3.53 per DIB share (the "**Circus Triangle Transaction**"). Should the Circus Triangle Transaction be implemented, a co-ownership joint venture between Dipula and Resilient in respect of Circus Triangle will be established on the terms contained in a co-ownership agreement concluded between Dipula and Resilient on 14 October 2021 ("**Co-ownership Agreement**").

3.1.3. In terms of a subscription agreement concluded between Dipula and Resilient on 14 October 2021 ("**Subscription Agreement**"), if the cash raised in terms of the Equity Raise from investors other than Resilient is less than R595.5 million, Resilient will subscribe for cash for such number of DIB shares as is required to ensure that not less than R595.5 million in aggregate is raised ("**Resilient Cash Subscription**").

3.1.4. The DIB shares issued to Resilient in terms of the Circus Triangle Transaction and the Resilient Cash Subscription (collectively the "**Resilient Subscriptions**") will be issued at R3.53 per DIB share.

3.1.5. The Resilient Subscriptions will be implemented after the last day to trade to be eligible to receive the DIB dividend for H2 2021, if declared, which is expected to be on or about 7 December 2021.

3.1.6. Implementation of the Resilient Subscriptions is subject to the conditions set out in the Subscription Agreement, which include:

3.1.6.1. the Circus Triangle Acquisition Agreement and the Co-ownership Agreement becoming unconditional;

3.1.6.2. the requisite majority of Dipula shareholders, voting on a combined basis, approving:

3.1.6.2.1. any resolutions required under the JSE Listings Requirements for purposes of the Equity Raise, including the ordinary resolution required to implement the specific issue of shares for cash to Resilient in terms of the Resilient Cash Subscription, as required in terms of paragraph 5.51(g) of the JSE Listings Requirements; and

3.1.6.2.2. to the extent applicable, a special resolution to issue DIB shares that will equal or exceed 30% of the voting rights in DIB shares in terms of section 41(3) of the Companies Act;

3.1.6.3. all other applicable regulatory and statutory approvals being obtained including, if necessary, the approval of the competition authorities; and

3.1.6.4. the Scheme being approved by Dipula shareholders and becoming unconditional (see paragraph 3.2 below).

3.1.7. The Resilient Subscriptions will be implemented after the Scheme has become unconditional but before the operative date of the Scheme, and Dipula shall on the operative date of the Scheme apply the proceeds of the Equity Raise (including the proceeds of the Resilient Cash Subscription to the extent applicable) to the extent required to settle the cash consideration payable in terms of the Scheme.

3.1.8. Upon implementation of the Transaction, Dipula will:

3.1.8.1. appoint a person nominated by Resilient to the Dipula board of directors, subject to ratification by shareholders at the next annual general meeting of Dipula; and

3.1.8.2. change its financial year-end to align with Resilient's reporting periods.

3.2. **Step 2: The Scheme**

3.2.1. Dipula will propose the Scheme between Dipula and DIA shareholders.

3.2.2. Pursuant to the Scheme:

3.2.2.1. Dipula will offer to repurchase all DIA shares in exchange for:

3.2.2.1.1. R595.5 million ("**Cash Alternative Amount**") in cash at an offer price of R6.61 per DIA share, allocated to relevant DIA shareholders having regard to their elections and the principles set out in paragraph 3.2.2.3 below ("**Cash Alternative**"); and

3.2.2.1.2. an issue of DIB shares for all DIA shares which are not repurchased pursuant to the Cash Alternative ("**Share Alternative Capacity**"), at a ratio of 2.2 DIB shares per DIA share ("**Share Alternative**").

3.2.2.2. DIA shareholders will be afforded the ability to elect the Cash Alternative to the extent they wish ("**Cash Alternative Elections**"), with the Share Alternative then being applicable to the balance of their DIA shares ("**Share Alternative Elections**"), if any, provided that elections will be adjusted in accordance with paragraph 3.2.2.3 below.

3.2.2.3. If the Cash Alternative Elections in aggregate exceed the Cash Alternative Amount, the Cash Alternative Elections of the relevant DIA shareholders will be adjusted such that the Cash Alternative Amount will be allocated *pro rata* to their respective Cash Alternative Elections and the Share Alternative will apply to their remaining DIA shares.

3.2.3. Implementation of the Scheme will be conditional on the fulfilment of suspensive conditions that will include:

3.2.3.1. the Subscription Agreement, the Circus Triangle Acquisition Agreement and the Co-Ownership Agreement becoming unconditional;

3.2.3.2. the requisite majority of Dipula shareholders, voting on a combined basis, approving:

3.2.3.2.1. the Scheme special resolution, in accordance with section 115(2)(a) of the Companies Act;

3.2.3.2.2. the special resolution to issue DIB shares that will equal or exceed 30% of the voting rights in DIB shares pursuant to the Scheme, in accordance with section 41(3) of the Companies Act;

3.2.3.3. to the extent required under section 115(3) of the Companies Act, approval of the implementation of the Scheme resolution by a Court is obtained and, if applicable, Dipula not having treated the Scheme Resolution as a nullity, as contemplated in section 115(5)(b) of the Companies Act;

3.2.3.4. that appraisal rights (in terms of section 164 of the Companies Act) are not validly exercised by in aggregate more than 1% of DIA and DIB shareholders (on a combined basis) in respect of the Scheme, provided that this condition may be waived or relaxed upon agreement between Resilient and Dipula;

3.2.3.5. all other applicable regulatory and statutory approvals are obtained;

3.2.3.6. there being no regulatory or legal impediments or adverse regulatory or legal consequences to the implementation of the Scheme, provided that Dipula may waive this condition to the extent legally permissible;

3.2.3.7. there shall not have arisen or occurred (or might reasonably be expected to arise or occur) a material adverse event which could reasonably be expected to have a material adverse impact on the operations, continued existence, business, condition, assets and liabilities of Dipula such that it would not be advisable to proceed with the implementation of the Scheme, provided that the parties may agree to waive this condition; and

3.2.3.8. the issue of a compliance certificate by the Takeover Regulation Panel ("**TRP**") in relation to the Scheme in terms of section 119(4)(b) of the Companies Act.

3.2.4. Dipula shareholders will be requested to consider and vote on changes to the Dipula Memorandum of Incorporation to reflect the single share capital structure, including all consequential amendments, but such approval will not be a condition to the implementation of the Transaction.

4. CIRCUS TRIANGLE

Circus Triangle is a small regional shopping centre located in central Mthatha, Eastern Cape with a gross lettable area of 33 820 m^2. The tenant base comprises 96% national tenants with anchor tenants Shoprite and Game and a weighted average lease expiry of 2.9 years. Key strengths include:

- the dominant centre in the area with a large rural catchment area;
- centrally located and close to both the R61 and N2 roads with easy access from all directions;
- being a commuter hub for short and long-distance taxis and busses;
- ample car parking; and
- topographical barriers to competition.

Resilient reported Circus Triangle's valuation to be R755.6 million in its annual financial statements for its year ended 30 June 2021, compared to an agreed property value for purposes of the Circus Triangle Transaction of R809.0 million. The difference is attributed to an extension and refurbishment which was ongoing at 30 June 2021 and has been completed. Net operating income for Circus Triangle for the year ended 30 June 2021 was R55.2 million and the weighted average rental was R195.84m^2 at June 2021, as extracted from the underlying information in Resilient's audited annual financial statements for the year ended 30 June 2021 which were prepared in terms of International Financial Reporting Standards. Circus Triangle's anticipated net operating income (taking into account the new extension) for the 12-month period from 1 September 2021 is expected to be R69.9 million, with Dipula's share being R34.95 million, equating to an acquisition yield of 8.6%. Dipula is satisfied that the acquisition price of R404.5 million for a 50% undivided share of Circus Triangle is the fair value of the property.

The Circus Triangle Transaction is a category 2 transaction in terms of the JSE Listings Requirements and is therefore not of itself subject to shareholder approval.

5. TRANSACTION PRICING COMPARISON TO MARKET PRICING

The table below illustrates the premiums/discounts associated with the Cash Alternative and the Share Alternative in respect of DIA shares at various undisturbed market pricing metrics on 25 August 2021, being the day prior to release of Resilient's results for the year ended 30 June 2021 which included disclosure regarding the Transaction with Dipula:

Rands	**DIA**	**DIB**	**Share Alternative premium/ (discount) to DIA**	**DIA clean**	**DIB clean**	**Share Alternative premium/ (discount) to DIA**
Closing price(1)	8.80	4.19	4.8%	8.53	3.99	2.9%
VWAP	8.81	4.19	4.6%	8.54	3.99	2.8%
7-day VWAP	8.64	3.64	(7.3%)	8.38	3.47	(8.9%)
30-day VWAP	8.55	3.56	(8.4%)	8.32	3.44	(9.0%)
90-day VWAP	8.26	3.50	(6.8%)	7.99	3.30	(9.1%)

Rands	**Cash Alternative**	**DIA clean**	**Cash Alternative discount to DIA**
Closing price	6.61	8.53	(22.5%)
VWAP	6.61	8.54	(22.6%)
7-day VWAP	6.61	8.38	(21.1%)
30-day VWAP	6.61	8.32	(20.6%)
90-day VWAP	6.61	7.99	(17.3%)

Notes:
1. Share Alternative premium/discount to DIA is calculated by comparing the DIA and DIA clean prices to the DIB and DIB clean prices which have been multiplied by the Share Alternative ratio of 2.2 DIB shares per DIA share.
2. The DIA and DIB clean share prices have been calculated on the assumption that Dipula declares 100% of DEPS for H2 2021 as dividends, being 59.70 cents per DIA share and 44.59 cents per DIB share, with the last day to trade to participate in the dividend being 7 December 2021.

6. *PRO FORMA* FINANCIAL INFORMATION

In terms of Regulation 101(7)(b)(iv) of the Companies Act's Regulations, a firm intention announcement must contain, *inter alia*, the *pro forma* earnings and asset value per offeree regulated company security if the offer consideration consists wholly or partly of offeror securities.

The table below sets out the *pro forma* financial effects of the Transaction based on the results of Dipula for H1 2021, assuming that the Transaction had been implemented on 1 September 2020 for purposes of the statement of comprehensive income and on 28 February 2021 for purposes of the statement of financial position ("***pro forma* financial effects**"). The *pro forma* financial effects are the responsibility of the directors of Dipula and are provided for illustrative purposes only to provide information about how the Transaction may have affected the financial performance and financial position of Dipula, and because of their nature, may not fairly represent the financial performance and financial position of Dipula after the Transaction.

DIB shareholder	**Before the Transaction (1)**	**After the Transaction (2)**	**Change**
NAV per share	10.59	6.43	(39.3%)
NTAV per share	10.55	6.41	(39.3%)
Earnings per share	58.38	34.64	(40.7%)
Headline earnings per share	60.01	35.56	(40.7%)
Dividend per share	45.10	31.05	(31.2%)

DIA shareholder receiving the Share Alternative	**Before the Transaction (1)**	**After the Transaction (2)**	**Change**
NAV per share	10.59	14.14	33.6%
NTAV per share	10.55	14.10	33.6%
Earnings per share	58.38	75.81	29.9%
Headline earnings per share	60.01	78.24	30.4%
Dividend per share	59.02	68.30	15.7%

Notes and assumptions:
1. The amounts in the "Before the Transaction" column have been extracted, without adjustment, from Dipula's unaudited condensed consolidated interim results for H1 2021.
2. The amounts in the "After the Transaction" column for DIB shareholders are after making the following adjustments:
   a. In terms of the Resilient Subscriptions, Resilient subscribes for DIB shares for an aggregate consideration of R1 billion (comprising a 50% undivided share in Circus Triangle for R404.5 million and R595.5 million in cash). It is assumed that Dipula declares and pays a dividend of 44.59 cents per DIB share in relation to H2 2021 prior to the effective date. Accordingly, the subscription price is R3.53 per DIB share, with 283.29 million DIB consideration shares being issued to Resilient.
   b. In terms of the Scheme, Dipula repurchases all DIA shares in issue. It is assumed that DIA shareholders holding 90.09 million DIA shares elect to receive the Cash Alternative of R6.61 per DIA share, amounting to a cash consideration of R595.50 million. The balance of DIA shareholders holding 174.55 million DIA shares receive the Share Alternative of 2.2 DIB shares per DIA share, amounting to 384.01 million DIB shares.
   c. Transaction costs amounting to R17.5 million are settled in cash with an equivalent reduction to stated capital.
   d. It is assumed that Dipula's share of net operating income from the Circus Triangle property for H1 2021 amounts to R13.8 million, as extracted from the underlying information in Resilient's audited annual financial statements for the year ended 30 June 2021.
   e. Dipula's dividend for H1 2021 is increased by R13.8 million net operating income from the Circus Triangle property to R289.34 million, divided by 931.94 million DIB shares in issue, and equating to a dividend of 31.05 cents per DIB share.

3. The amounts in the "After the Transaction" column for DIA shareholders receiving the Share Alternative comprise the *pro forma* financial effects set out in the "After the Transaction" column for DIB shareholders multiplied by the Share Alternative ratio of 2.2 DIB shares for each DIA share.

7. CONFIRMATIONS TO THE TRP

7.1. In accordance with Regulations 111(4) and 111(5), the Standard Bank of South Africa Limited has issued a bank guarantee to the TRP for the Cash Alternative Amount payable by Dipula to DIA shareholders electing the Cash Alternative, in an amount not exceeding R595.5 million.

7.2. Dipula has confirmed to the TRP that it has a sufficient number of authorised but unissued DIB shares in order to satisfy the Share Alternative on implementation of the Scheme.

8. BENEFICIAL INTEREST

There are no beneficial interests, or options to purchase beneficial interests, in DIA or DIB shares that are held or controlled, directly or indirectly by Dipula.

9. NO CONCERT PARTY ARRANGEMENTS

Dipula is not acting in concert with any other person in relation to the Scheme.

10. INDEPENDENT BOARD AND INDEPENDENT EXPERT REPORT

10.1. Dipula has convened an independent board ("**Independent Board**"), consisting of Brian Azizollahoff, Syd Halliday and Elias Links, to consider the Transaction.

10.2. The Independent Board will appoint an independent expert for purposes of preparing an opinion in respect of the Scheme, in accordance with Regulation 90, as read with sections 114(2) and 114(3) of the Companies Act.

11. POSTING OF CIRCULAR

11.1. Dipula will issue a circular to its shareholders, as contemplated in Regulations 102 and 106, setting out the full terms and conditions of the Transaction and including the notice convening the General Meeting ("**Circular**").

11.2. A further announcement pertaining to the posting of the Circular will be released in due course.

12. RESPONSIBILITY STATEMENT

The Independent Board accepts responsibility for the information contained in this announcement and certifies that, to the best of its knowledge and belief, the information contained in this announcement relating to Dipula is true and this announcement does not omit anything that is likely to affect the import of such information.

13. WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

In light of the release of this firm intention announcement, Dipula shareholders are advised that caution is no longer required to be exercised in their dealings in Dipula shares.

15 October 2021

Corporate advisor and sponsor

JAVA CAPITAL

Legal advisor

CDH

CLIFFE DEKKER HOFMEYR