

EQUITES PROPERTY FUND LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 2013/080877/06)

Share code: EQU ISIN: ZAE000188843

JSE alpha code: EQUI

(Approved as a REIT by the JSE)

("Equites" or the "Company")



SALE OF LAND TO LIDL GREAT BRITAIN LIMITED IN BASINGSTOKE, ENGLAND

1. INTRODUCTION

Shareholders are advised that Equites Newlands Group Limited ("**ENGL**"), a subsidiary of Equites, has concluded the following agreements:

- Sale of land agreement, in terms of which ENGL will sell undeveloped, vacant land at Plot 1, Equites Park J7 M3 Basingstoke RG23 7LR England ("**the Property**") to Lidl Great Britain Limited ("**Purchaser**" or "**Lidl**"), 40 acres (16.19 ha) in extent, for a purchase consideration of £81,000,000 (ZAR 1,555,200,000) ("**Sale Agreement**"); and
- Infrastructure works agreement, in terms of which ENGL is appointed by the Purchaser to implement certain infrastructure, landscaping and other works on the Property at a total cost of £38,000,000 (ZAR 729,600,000) ("**Infrastructure Works Agreement**").

together the ("**Transaction**").

The expected post-tax profit attributable to Equites from the Transaction is £20.8 million (ZAR 400 million), which will contribute significantly to the Company's growth in net asset value ("**NAV**") per share in the current financial year ("**FY23**").

2. RATIONALE

Equites' offshore strategy is to build scale in the top-end of the United Kingdom ("**UK**") logistics market through its partnership with Newlands Property Developments LLP ("**Newlands**"). This partnership affords Equites the opportunity to unlock world-class distribution facilities in the UK at a discount to open market values. The potential pipeline of development opportunities is estimated to be c. £1 billion (ZAR 19.2 billion) over the next five years, on a cost basis. To implement and fund this strategy, Equites will from time-to-time undertake turnkey developments for third parties and/or land disposals.

The key reasons supporting this Transaction, are as follows:

- **Source of capital:** Equites is currently exploring various alternatives to fund its attractive pipeline of development opportunities in the UK. Equites will not distribute capital profits on turnkey developments and/or land disposals but will use the proceeds as part of the equity required for new projects. From a tax perspective, the profits are deemed to be capital in nature and non-distribution thereof will not result in any tax leakage in South Africa.
- **Crystallise development profits:** Crystallising development profits will unlock a portion of ENGL's value creation on a cash basis.
- **Contribute to NAV growth.** The Transaction will contribute to NAV per share growth in FY23, upon completion of the Transaction.
- **Strong counterparty.** Lidl was founded in Germany in 1973 and has grown to become one of Europe's leading food retailers. The first Lidl store in the UK opened its doors in 1994 and 28 years later, Lidl now has more than 900 stores and 13 regional distribution centres across Britain, employing over 22,000 people.

3. DETAILS OF THE PROPERTY

The total net site area is 40.0 acres (16.19 ha) of undeveloped land. Following the implementation of the infrastructure and associated works, the Purchaser will be developing a modern distribution warehouse, which will be owned by the Purchaser and form an integral part of its supply chain network in the UK.

Property name	Geographical location	Sector	Site area
Plot 1	Equites Park J7 M3 Basingstoke, RG23 7LR England	Land	40.0 acres (16.19 ha)

4. TERMS OF THE TRANSACTION

Sale Agreement

The Purchaser will acquire the freehold interest in the Property for a purchase consideration of £81,000,000 (ZAR 1,555,200,000), which amount will be payable to ENGL 10 business days after the fulfilment of all conditions precedent.

The Transaction is subject to the fulfilment of the following conditions precedent:

- Planning and associated consent for the development of the distribution centre;
- The conclusion of a legal agreement with a third party in respect of the diversion of an unused oil pipeline that traverses the Property;
- The conclusion of an agreement between ENGL and the Highways Authority in respect of the upgrading of road infrastructure adjacent to the Property,

by no later than 31 December 2022 (subject to extension until 31 December 2023), failing which the Transaction will fail. It is expected that all the conditions will be met by the third quarter of 2022.

The Purchaser has paid a deposit in the amount of £4,050,000 (ZAR 77,760,000), which equates to 5% of the purchase consideration.

Infrastructure Works Agreement

The Infrastructure Works Agreement provides that ENGL implements –

- demolition of the existing buildings on the Property;
- the provision of the required road and associated infrastructure works; and
- all works in respect of the diversion of the oil pipelines and landscaping, (“**Development Works**”).

Development Works are to be carried out on the Property in accordance with the agreed specifications, the relevant building/works contract and all applicable statutory consents and requirements. ENGL has no obligation or liability in respect of the design of the Development Works.

ENGL will pay all of the costs and expenses incurred in carrying out the Development Works. The price payable by the Purchaser to ENGL pursuant to the implementation of the Infrastructure Works Agreement is £38,000,000.00 (R729,600,000), with the Purchaser being obliged to pay £19,000,000.00 (ZAR 364,800,000) as an interim payment following the achievement of certain agreed milestones with the balance being payable 10 business days after the completion of the Development Works.

5. VALUATION

The directors of Equites are satisfied that the purchase consideration for the Property will approximate its fair value at the date of transfer. The directors of the Company are not independent and are not registered as professional valuers or as professional associate valuers in terms of the Property Valuers Profession Act, No.47 of 2000.

6. FINANCIAL IMPACT

Equites' attributable share of post-tax land sale and development profits is expected to be £20.8 million (ZAR 400 million).

The profits will not be included in the calculation of distributable earnings and will not be distributed by Equites, but will contribute significantly to Equites' growth in NAV per share for FY23.

Furthermore, implementation of the Transaction will decrease Equites' gearing and bring its LTV ratio down by approximately 2.5%.

7. CONCLUSION

This Transaction demonstrates the value being created through the partnership between Equites and Newlands and affords Equites the opportunity to crystallise development profits and generate capital internally for further opportunities in the attractive pipeline of development opportunities within ENGL.

8. CATEGORISATION

The Transaction is a category 2 transaction in terms of the JSE Listings Requirements and accordingly does not require approval by shareholders.

19 April 2022

Corporate advisor and sponsor to Equites



Debt sponsor

