

FORTRESS REAL ESTATE INVESTMENTS LIMITED

(Formerly Fortress REIT Limited)

(Incorporated in the Republic of South Africa)

(Registration number 2009/016487/06)

JSE share codes: FFA ISIN: ZAE000248498
FFB ISIN: ZAE000248506

Bond company code: FORI

LEI: 378900FE98E30F24D975

(Approved as a REIT by the JSE)

(“Fortress” or the “Company”)



REMOVAL OF REIT STATUS

Shareholders are referred to the SENS announcement published on 7 December 2022, wherein Fortress advised that it had lodged an objection to the JSE’s decision to remove the Company’s REIT status (the “**Objection**”).

In response to Fortress lodging the Objection, the JSE indicated that it would await the outcome of the general meetings of Fortress shareholders scheduled for 12 January 2023 (the “**General Meetings**”), as the JSE considered this to be important information which it would consider when assessing the Objection.

On 19 January 2023, the JSE informed the Company that it has dismissed the Objection based on the outcome of the General Meetings and the fact that the Company has not paid a dividend for the financial year ended 30 June 2022 (“**FY22**”) due to the restrictive condition remaining in the Company’s memorandum of incorporation, whereby the Board is not authorised to declare a dividend due to the distributable earnings being below the Fortress A benchmark for FY22.

In order to minimise the accounting administrative burden for the Company and to afford investors sufficient time to make the necessary investment decisions, for practical purposes, Fortress will cease to be a REIT with effect from the commencement of trade on 1 February 2023 but will remain a listed property company with the existing dual class share structure. The rights of the Fortress A shares as well as the Fortress B shares, as prescribed in the memorandum of incorporation, will remain unaltered post ceasing to be a REIT.

Other than the tax considerations noted below, the material change of the cessation of REIT status is that Fortress will not be required, in terms of paragraph 13.47 of the JSE Listings Requirements, to make annual distributions of a minimum of 75% of its distributable profit as defined in the JSE Listings Requirements.

Tax considerations

Impact on Fortress

The removal of REIT status will, among other things, have the following income tax implications:

- Fortress and its subsidiaries will no longer be entitled to deduct dividends paid to shareholders in determining its taxable income;
- Fortress and its subsidiaries will be liable for capital gains tax (“**CGT**”) on the disposal of immovable property and certain shares; and
- Fortress and its subsidiaries will be entitled to claim allowances which previously were not available to a company with REIT status.

Fortress and its subsidiaries’ income tax year of assessment will be deemed to end on the day preceding the date on which it ceases to be a REIT, being 31 January 2023, and the succeeding year of assessment will be deemed to commence on the day on which it ceases to be a REIT, being 1 February 2023.

Impact on shareholders

Prior to the removal of Fortress’ REIT status (up to 31 January 2023):

- The trading in shares of a REIT is not subject to Securities Transfer Tax (“**STT**”);
- Qualifying distributions received by resident shareholders in the REIT were to be included in income (as a non-exempt dividend), with the effect that the qualifying distribution is taxable as income in the hands of the shareholder. Such qualifying distributions are, however, exempt from dividends tax; and
- Qualifying distributions received by non-resident shareholders in a REIT are not taxable as income. Qualifying distributions to non-residents are, however, subject to dividends tax.

Following the removal of Fortress' REIT status (with effect from the commencement of trading on 1 February 2023):

- Trading in Fortress A and Fortress B shares will attract STT with effect from 1 February 2023;
- Dividends received or accrued to both resident and non-resident shareholders will generally be exempt from income tax in terms of the dividend exemption provided for in section 10(1)(k)(i) of the Income Tax Act; and
- The dividend will be subject to dividends tax at a rate of 20%, unless, in the case of:
 - Resident shareholders where the beneficial owner is exempt from dividends tax; or
 - Non-resident shareholders where the rate is reduced in terms of any applicable agreement for the avoidance of double taxation between South Africa and the country of residence of the shareholder.

20 January 2023

Lead sponsor

JAVACAPITAL

Joint sponsor

