
TEXTON PROPERTY FUND LIMITED
Granted REIT status by the JSE
Incorporated in the Republic of South Africa
(Registration number 2005/019302/06)
Share code: TEX ISIN: ZAE000190542
("Texton" or "the Company")

DISPOSAL OF CHOBE TESCO PROPERTY

1. INTRODUCTION AND RATIONALE

The Board of Directors of Texton ("Board") is pleased to inform shareholders that the Company, through its wholly-owned subsidiary Chobe Investment Holdings Limited ("the Seller"), has concluded a sale of property agreement ("Sale Agreement") for the disposal of the Tesco Building in Newcastle, England ("the Property"), for a purchase consideration of £12 million ("the Disposal"). The Purchaser is a newly created SPV which will be managed by Squarestone Operations Limited. Savills (UK) Limited acted for Texton on the Disposal, conducting a wide marketing exercise covering domestic and international investors.

The Disposal, the consideration for which is in line with the April 2019 valuation of the Property, will assist Texton in refinancing and deleveraging the UK Portfolio. It will also have the effect of improving the weighted average unexpired lease term of the UK Portfolio.

2. THE DISPOSAL

2.1 Details of the Property

The Property is situated at Q8 Quorum Business Park, Benton Lane, Newcastle upon Tyne, UK. The gross lettable area of the Property is 9 323m² and the weighted average rental per square metre is currently R247,11.

2.2 Purchase consideration and effective date

The consideration payable by the Purchaser shall be an amount of £12 million in cash and will be settled as follows:

- 2.2.1 a deposit of £1,2 million to be paid to the Seller's solicitors on exchange of the Sale Agreement; and
- 2.2.2 on completion, the remainder of £10,8 million minus the rent that, but for the rent free period, would have been payable by the occupational tenant, Tesco Personal Finance PLC, for the period from and including completion to and including 13 December 2019 calculated at the daily rate of £4,110.35.

Completion is the later of:

- ten business days after exchange;
- five business days after the Superior Landlord gives its consent to the Disposal; and
- five business days after the acquisition by the Seller of the superior leases, ("Completion Date").

The effective date of the Disposal will be the Completion Date.

2.3 Conditions precedent to the Disposal

The Disposal is subject to the assignment of the superior leases to the Seller and the Seller obtaining the Superior Landlord's consent to the assignment of all relevant leases held by the Seller relating to the Property to the Purchaser.

2.4 Details pertaining to the Purchaser

The Purchaser is a newly created SPV which will be managed by Squarestone Operations Limited. The Purchaser is not a related party to Texton.

3. FINANCIAL INFORMATION

The value of the net assets attributable to the Disposal was R101,1 million as at 30 June 2018 (audited) and R109,8 million as at 31 December 2018 (unaudited). The audited loss after tax attributable to the net assets for the year ended 30 June 2018 was R55,8 million and the unaudited profit after tax attributable to the net assets for the six months ended 31 December 2018 was R6,6 million.

The financial statements were prepared in accordance with International Financial Reporting Standards and the Companies Act, 2008 (Act 71 of 2008), as amended.

4. INDEPENDENT VALUATION OF THE DISPOSAL

A valuation of the Property was performed on 5 April 2019 by CBRE Limited. The valuation was prepared in accordance with the RICS Global Standards – 2017 (incorporating the International Valuation Standards) and the UK National supplement 2018 (The Red Book). The Property was valued at an amount of £12,0 million.

This independent valuation is supported by the Board. The Board is not independent, and its members are not registered as professional valuers or as professional associate valuers in terms of the Property Valuers Profession Act, No 47 of 2000.

5. APPLICATION OF THE PROCEEDS OF THE DISPOSAL

The proceeds of the Disposal will be utilised by Texton to pay down debt and to fund capital expenditure requirements.

6. CATEGORISATION OF THE DISPOSAL

The Disposal is classified as a Category 2 transaction in terms of the Listings Requirements of JSE Limited.

Johannesburg
30 May 2019

Sponsor
Merchantec Capital