
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 RENTAL ENTERPRISE

1. INTRODUCTION

The Board of Directors of Texton ("**Board**") is pleased to inform shareholders that the Company has concluded a sale of rental enterprise agreement ("**Sale Agreement**") with Invest in CBD Proprietary Limited ("**Purchaser**") for the disposal of the rental enterprise conducted by the Company in respect of "**the Property**" or "**Quintiles**", being Portion 11 (a portion of Portion 3) of Erf 13021 Bloemfontein Extension 77, district Bloemfontein, Province of the Free State ("**the Rental Enterprise**"), for a purchase consideration of R45.5 million ("**the Disposal**").

2. THE DISPOSAL

2.1 Details of the Property

The Property consists of:

- Portion 11 (a portion of Portion 3) of Erf 13021 Bloemfontein Extension 77, district Bloemfontein, Province of the Free State, all land and buildings erected on the Property, together with all moveable and fixed assets and all fixtures and fittings and assets installed on the Property used in connection with the operation or functioning of the rental enterprise conducted by the Company.

The gross lettable area ("**GLA**") of the Property is 3 404m² and the weighted average rental per square meter is currently R117.16.

2.2 Rationale for the Disposal

Quintiles is a relatively small property that comprises 0.9% of Texton's GLA. As it is the only asset situated in the Province of the Free State, it is challenging to manage cost effectively. The Disposal is also consistent with Texton's strategic objective of owning quality, income producing properties that contribute towards reducing the exposure to the office sector through responsible disposal.

2.3 Purchase consideration and effective date

2.3.1 The consideration payable by the Purchaser shall be an amount of R45.5 million in cash payable as follows:

- 2.3.1.1 R1 million by way of a cash deposit within 14 days of the date of signature of the Sale Agreement ("**Signature Date**"); and
- 2.3.1.2 the balance of the Purchase Price against registration of transfer of the Property to the Purchaser.

2.3.2 The effective date of the Disposal shall be the date of fulfilment or waiver, as applicable, of the last of the conditions precedent set out in paragraph 2.4 below.

2.4 Conditions precedent to the Disposal

The Disposal is subject to the fulfilment of following conditions precedent that:

- 2.4.1 by not later than 30 days from the Signature Date, the boards of directors of the Company and the Purchaser approve the Disposal on the terms and conditions contained in the Sale Agreement;

- 2.4.2 by not later than 60 days from Signature Date, Invula Income (RF) Proprietary Limited, the bondholder over the Property, consents to the release of the Property from the operation of the Mortgage Bond B6716/2014;
- 2.4.3 by not later than 5 days after the due diligence period, being a period of 10 days commencing on the Signature Date, the Purchaser confirms in writing to the Company that it is satisfied with its due diligence investigation;
- 2.4.4 by not later than 60 days from the Signature Date, the Purchaser obtains a loan from a bank or other financial institution of not less than R44.5 million against security of a first mortgage bond over the Property.
- 2.4.5 Unless all the conditions precedent have been fulfilled or waived by not later than the dates set out in paragraphs 2.4.1 to 2.4.4 above (or such later date or dates as may be agreed in writing between the parties), the provisions of the Sale Agreement which remain of full force and effect, will lapse and be of no further force or effect and the *status quo ante* will be restored as near as may be and neither of the parties will have any claim against the other in terms of the Sale Agreement or arising from the failure of the condition precedent.

2.5 Details pertaining to the Purchaser

Invest in CBD Proprietary Limited trading as Zatarra Property Group, represented by Richard Rodrigues, is the Purchaser. The Purchaser is not a related party to Texton.

3. FINANCIAL INFORMATION

The value of the net assets attributable to the Disposal was R48.1 million as at 30 June 2019 (audited) and R48.1 million as at 31 December 2019 (unaudited). The audited loss after tax attributable to the net assets for the year ended 30 June 2019 was R1.7 million and the unaudited profit after tax attributable to the net assets for the six months ended 31 December 2019 was R2.6 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 30 June 2019 by Peter Parfitt representing Quadrant Properties Proprietary Limited and Theuns Behrens of Real Insight Proprietary Limited who are independent and are registered as professional valuers in terms of the Property Valuers Profession Act, 2000 (Act 47 of 2000). The Property was valued at an amount of R48.1 million.

This independent valuation is supported by the Board. The members of the Board are not independent valuers and 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 reduce debt.

6. CATEGORISATION OF THE DISPOSAL

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

Johannesburg
22 June 2020

Sponsor
Merchantec Capital