

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

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## DISPOSAL OF DHL BAWTRY DISTRIBUTION WAREHOUSE AND WITHDRAWAL OF DETAILED CAUTIONARY ANNOUNCEMENT

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### 1. INTRODUCTION

Shareholders are referred to the detailed cautionary announcement released on the Stock Exchange News Service ("**SENS**") on 4 January 2021 and are advised that the board of directors of Texton (the "**Board**") is pleased to inform shareholders that the Company, through its wholly-owned subsidiary Cheltondale Investment Holdings Limited (the "**Seller**"), has entered into a sale of property agreement with FWRE Limited ("**FWRE**" or the "**Purchaser**") (the "**Agreement**"), on 22 January 2021 ("**Exchange Date**"), to dispose of the DHL Bawtry Distribution Warehouse (the "**Property**" or the "**Disposal**"), located in Doncaster United Kingdom, for £22,650,000 ("**Disposal Consideration**"), the property has a current book value of £18,200,200 ("**Book Value**").

### 2. RATIONALE AND USE OF PROCEEDS

The Property represents 33.5% and 34.1% of the UK wholly owned portfolio's value and gross income, respectively. The size of the asset results in a disproportionate concentration of the UK wholly owned portfolio being invested in one location. The concentration risk is offset by the Property having a strong lease covenant with a blue-chip tenant and a weighted average lease expiry of just under 10 years.

The United Kingdom property market has seen a marked compression in yields for logistic assets as a significant amount of capital is being deployed into the asset class. The asset has attracted a strong price through being aggregated into a wider industrial portfolio where exposure to the strong covenant and brand is difficult to obtain.

The Disposal provides Texton with the opportunity to sell the Property at a premium to its current book value and secure a profitable exit.

The proceeds of the Disposal will be utilised to repay debt and further strengthen Texton's balance sheet. In addition, the Disposal will provide flexibility for future opportunities to diversify investment into other asset classes which appear attractively priced relative to the industrial/logistics sector.

### 3. DESCRIPTION OF THE PROPERTY

The Property is a freehold property known as DHL Bawtry Distribution Warehouse, Site 2, High Common Lane, Tickhill, Doncaster DN11 9HE registered at HM Land Registry under the Title Numbers SYK8863 and SYK2037. The Property was built in 1999 with 10.8 meter eaves height.

An analysis of the Property as extracted from the 30 June 2020 annual report is set out below:

<b>Overview</b>	Purpose-built high-bay warehouse and distribution facility single let to DHL Supply Chain Ltd
<b>Acquisition date</b>	10 December 2015
<b>Book value</b>	£18,200,000
<b>Location</b>	Doncaster, England
<b>Sector</b>	Industrial
<b>Occupancy</b>	100%
<b>Weighted average monthly rental per m<sup>2</sup> (prior to rental increase in December 2020)</b>	£ 3.62
<b>Value of net operating profit for the year ended 30 June 2020*</b>	£1,092,586
<b>Gross lettable area m<sup>2</sup></b>	25 294
<b>Rental escalation profile – (Rental is shown exclusive of VAT)</b>	Fixed Rental Uplifts to £1,211,340 in December 2020 and £1,337,417 in December 2025
<b>Net initial yield</b>	5.65%

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

#### 4. SALIENT TERMS OF THE DISPOSAL

##### 4.1. Purchase consideration and effective date

The total cash consideration payable by the Purchaser shall be £22,650,000 exclusive of VAT, less an income compensation to the Purchaser for the delayed completion. The breakdown is as follows:

- 4.1.1. A deposit of £2,265,000 has been paid to the Seller's solicitors on exchange of contracts being 22 January 2021;
- 4.1.2. The Purchaser will be entitled to draw £94,564 (exclusive of VAT) per month (pro-rated for any period less than a month) from the deposit as monthly income payment from 1 February 2021; and
- 4.1.3. On completion, the remainder of the deposit plus £20,385,000 (representing the balance of the purchase price) will be paid to the Seller.

Completion is scheduled to take place within five business days after the Seller confirms the conditions precedent have been satisfied ("**Completion Date**"), which is expected to be concluded by 9 April 2021, subject to a longstop date of 14 May 2021 ("**Longstop Date**").

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

##### 4.2. Conditions precedent to the Disposal

The Disposal is conditional upon JSE Limited and Shareholder approval as outlined in paragraph 6 below.

### **4.3. Warranties**

The Agreement contains standard warranties and undertakings by both the Buyer and Seller, typical for a transaction of this nature.

## **5. INDEPENDENT VALUATION OF THE DISPOSAL**

The freehold interest in the Property was independently valued at 21 January 2021 by Savills (UK) Limited, acting in the capacity of External Valuers as defined in the RICS Red Book (but not for the avoidance of doubt as an External Valuer of the Fund as defined by the Alternative Investment Fund Managers Regulations 2013) ("**External Valuers**"). The valuations accord with the requirements of IFRS 13 and the RICS Valuation – Global Standards (incorporating the IVSC International Valuation Standards) effective from 31 January 2020 together, where applicable, with the UK National Supplement effective 14 January 2019, together the "**Red Book**".

The External Valuers reported that the Market Value of the property amounted to £22,650,000 with a net initial yield of 5.00% ("**Independent Valuation**"). The Independent Valuation was arrived at predominantly by reference to market evidence for comparable property.

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 of the Property Valuers Profession Act, No 47 of 2000.

## **6. CATEGORISATION OF THE DISPOSAL**

The Disposal has been categorised as a category 1 transaction in terms of the JSE Listings Requirements. Accordingly, the Disposal is required to be approved by an ordinary resolution of shareholders of the Company. A circular containing the full details of the Disposal incorporating a notice convening the required general meeting will be posted to shareholders in due course. The salient dates and times for the shareholder's meeting will be announced on the date of posting of the circular. The Independent Valuation will be included in the circular and will lie for inspection at the Company's registered office from the date of posting of the circular.

## **7. WITHDRAWAL OF DETAILED CAUTIONARY ANNOUNCEMENT**

Shareholders are referred to the detailed cautionary announcement issued by the Company in relation to the Disposal which was released on SENS on 4 January 2021 and are advised that caution is no longer required to be exercised when dealing in the Company's shares.

25 January 2021  
Sandton

Corporate Advisor and Sponsor  
Investec Bank Limited