

TEXTON PROPERTY FUND LIMITED  
(formerly Vunani Property Investment Fund Limited)

Granted REIT status by the JSE

(Incorporated in the Republic of South Africa)

(Registration number 2005/019302/06)

JSE code: TEX

ISIN: ZAE000190542

(formerly ISIN: ZAE000185872)

("Texton" or "the Company")



**TEXTON**  
PROPERTY FUND

## FURTHER ACQUISITION OF A PROPERTY IN THE UNITED KINGDOM ("UK"), JOINT VENTURE AGREEMENT AND EXPANSION OF TEXTON'S UK PROPERTY PORTFOLIO

### 1. INTRODUCTION

Further to the announcement on Monday, 2 March 2015, and the establishment by Texton of a UK platform ("**Initial UK Investment**"), Texton is pleased to advise holders of Texton shares ("**Shareholders**") that it has entered into agreements, including a joint venture agreement with Moorgarth Holdings (Luxembourg) S.à.r.l ("**Moorgarth**"), a subsidiary of JSE-listed Tradehold Limited., whereby Texton will acquire 50% of a special purpose vehicle, Inception (Reading) S.à.r.l ("**Inception**"). Inception will then be used as the vehicle to acquire a well-located retail shopping centre ("**Broad Street Mall**") in Reading, England (the "**Property**"), with Texton's 50% contribution for the total purchase price of the Property being approximately £30,564,000 ("**Acquisition**").

Conclusion of the Acquisition ensures a further sectoral and geographic enhancing property acquisition which is pursuant to Texton's stated strategy to diversify its portfolio and achieve geographic diversification beyond South African borders into the UK where Texton's asset management company, Texton Property Investments Proprietary Limited, has knowledge and experience, and where property acquisition opportunities and related financing in domestic UK currency is attractive.

Property information and other details pertaining to the Acquisition are set out in section 3 below.

**2. RATIONALE FOR THE ACQUISITION**

Further to the above, rationale for the Acquisition is as follows:

- Further geographic investment and risk diversification into the UK, a region with significant economic stability and growth prospects and where pricing is attractive
- Increase in Texton’s annual distributable income
- Potential upward rental reversion
- Access to a property whose “asset type” and quality is consistent with Texton’s current South African portfolio
- Adding scale to Texton’s existing UK portfolio through the further acquisition of a portfolio enhancing transaction in the manner consistent with Texton’s stated investment strategy
- A cooperative arrangement and investment alongside joint venture partners whom are well known to the Texton management company, have detailed experience in extracting value from this asset type and whom have a similar UK investment strategy to Texton.

**3. INFORMATION RELATING TO THE ACQUISITION AND THE PROPERTY**

Details relating to the Broad Street Mall are as follows:

|                       |  |
|-----------------------|--|
| Description           | Acquisition of 50% of the issued share capital of Inception, a company registered in Luxembourg. Inception’s initial investment will solely be Broad Street Mall   |
| Property description: | <ul style="list-style-type: none"><li>• Broad Street Mall, Reading, registered at the Land Registry with freehold under title numbers BK383592 and BK383593</li><li>• Retail shopping centre including an office space in 2 office buildings and a car park with over 740 spaces</li></ul> |
| Tenants:              | Consists of 75 retail units and 6 kiosks   |
| Location:             | Reading, England   |

|  |   |
|--|---|
| GLA:   | 35,860.27m <sup>2</sup>   |
| Lease expiry                                   | Weighted average lease length of 5.4 years  |
| Net annual income:                             | £4,350,000 (R81,258,000 converted at the spot exchange rate as at 15 May 2015 of £1:18.68), being 100% of the net annual income of which Texton is entitled to 50%  |
| Weighted average net rental per m <sup>2</sup> | £10.11 per m <sup>2</sup> (R188.85 per m <sup>2</sup> converted at the spot exchange rate as at 15 May 2015 of £1:18.68), being 100% of the weighted average net rental   |
| Purchase price:                                | £61,128,000 (excluding acquisition costs of approximately £3,545,000) (R1,141,871,040 converted at the spot exchange rate as at 15 May 2015 of £1:18.68), being 100% of the purchase price of which Texton will be liable for 50% |
| Vendor   | Ivypark through their Asset Managers Englander  |
| Independent gross valuation (May 2015):        | £63,000,000 (R1,176,840,000 converted at the spot exchange rate as at 15 May 2015 of £1:18.68).   |

Broad Street Mall will be a 50% held joint venture of Texton whose memorandum of incorporation will comply with the JSE Listings Requirements.

Moorgarth, qualified and experienced property managers, will be appointed as the property and strategic manager.

The Property has been valued by Savills Plc on behalf of HSBC Bank Plc (Broad Street Mall). Savills Plc are independent and RICS (Royal Institution of Chartered Surveyors) registered valuers.

#### **4. PURCHASE CONSIDERATION**

The aggregate purchase consideration for the Acquisition amounts to £30,564,000 (R570,935,520 converted at the spot exchange rate as at 15 May 2015 of £1:18.68). Acquisition costs of approximately £1,772,500 (R33,110,300 converted at the spot exchange rate as at 15 May 2015 of £1:18.68) will also be incurred. The purchase consideration (including acquisition costs) will be funded by way of pound sterling loan facilities, in order to

mitigate as much currency risk as possible, as well as an equity raise by way of a vendor placement.

## **5. EFFECTIVE DATE**

The effective date of the Acquisition will be on or about 01 June 2015.

## **6. CONDITIONS PRECEDENT**

The Acquisition is conditional on the fulfilment of the following outstanding conditions precedent:

- The funders approval of Texton's acquisition of the shares in Inception;
- Exchange control approval by the South African Reserve Bank;
- Transfer of registered title; and
- Completion of the Acquisition in terms of the sale and purchase agreement which includes the registration of mortgages or charges registered against the titles, approval of all authorities, reliance letters, elections, construction documents and assignment of intellectual property rights and commercial agreements.

The conditions precedent are expected to have been completed by the end of May 2015.

## **7. CLASSIFICATION OF THE ACQUISITION**

The Acquisition constitutes a category 2 transaction, in terms of the JSE Listings Requirements and accordingly a circular will not be posted to Shareholders.

Dunkeld West

19 May 2015

### **Investment Bank and Sponsor**

Investec Bank Limited

### **Legal Advisers**

Osborne Clarke

Walker Morris