

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions and interpretations commencing on page 4 of this circular apply, *mutatis mutandis*, throughout this circular.

If you are in any doubt as to the action you should take, please consult your broker, CSDP, attorney, accountant, banker or other professional adviser immediately.

If you have disposed of all of your shares in Texton, then this circular, together with the attached notice of general meeting and form of proxy should be forwarded to the purchaser to whom, or the broker, agent, CSDP or banker through whom, you disposed of your shares.

Shareholders should note that, whilst the entire circular is important and should be read in its entirety, particular attention should be paid to the section entitled "Action required by shareholders" commencing on page 2 of this circular.

Texton does not accept any responsibility and will not be held liable for any failure on the part of any CSDP or broker of a dematerialised shareholder to notify such shareholder of the general meeting or any business to be concluded thereat.



TEXTON

PROPERTY FUND

TEXTON PROPERTY FUND LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 2005/019302/06)

Share code: TEX

ISIN: ZAE000190542

Approved as a REIT by the JSE

("Texton" or "the Company")

CIRCULAR TO TEXTON SHAREHOLDERS

Regarding:

- the repurchase by Texton of 51 858 876 shares from the PIC, at a total price equal to the PIC Loan Balance in terms of the PIC Put Option;

and enclosing:

- the report prepared by the Independent Expert;
- extracts of sections 115 and 164 of the Companies Act;
- a notice convening the general meeting; and
- a form of proxy for use by certificated Texton shareholders and "own name" registered dematerialised shareholders only.

Sponsor and Joint Corporate Adviser



Independent Expert

nodus

Joint Corporate Adviser



Joint Corporate Adviser

JAVACAPITAL

Legal Adviser

GLYN MARAIS 

Date of issue: 27 November 2018

Additional copies of this circular, in its printed format, may be obtained from the Sponsor at the address set out in the "Corporate information" section of this circular during normal business hours from Tuesday, 27 November 2018 up to and including Friday, 28 December 2018. Copies of this circular are available in the English language only and are available on the Company's website, www.texton.co.za.

CORPORATE INFORMATION

Texton Property Fund Limited

Date of incorporation: 6 June 2005

Place of incorporation: South Africa

Registered address of Texton

Texton Property Fund Limited
(Registration number 2005/019302/06)
Block C, Investment Place
10th Road
Hyde Park, 2196
(PO Box 653129, Benmore, 2010)

Sponsor and Joint Corporate Adviser

Merchantec Capital
(Registration number 2008/027362/07)
2nd Floor, North Block
Hyde Park Office Tower
Corner 6th Road and Jan Smuts Avenue
Hyde Park, 2196
(PO Box 41480, Craighall, 2024)

Joint Corporate Adviser

Tenurey BSM Proprietary Limited
(Registration number 2016/371558/07)
Ground Floor, Jindal Africa Building
22 Kildoon Road
Bryanston, 2191

Legal Adviser

Glyn Marais
(Registration number 1990/000849/21)
2nd Floor, The Place
1 Sandton Drive
Sandton, 2196
(PO Box 652361, Benmore 2010)

Transfer Secretaries

Computershare Investor Services Proprietary Limited
(Registration number 2004/003647/07)
Rosebank Towers
15 Biermann Avenue
Rosebank, 2196
(PO Box 61051, Marshalltown, 2107)

Company Secretary

Motif Capital Partners
(Registration number 2006/034944/07)
Suite 11, 2nd Floor, Melrose Boulevard Melrose Arch, 2193

Joint Corporate Adviser

Java Capital Proprietary Limited
(Registration number 2012/089864/07)
6A Sandown Valley Crescent
Sandton, 2031
(PO Box 522606, Saxonwold, 2132)

Independent Expert

Nodus Capital TS Proprietary Limited
(Registration number 2007/004535/07)
Building 2, Commerce Square Office Park
39 Rivonia Road
Sandhurst, 2196
(PO Box 553696, Northlands, 2116)

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ACTION REQUIRED BY SHAREHOLDERS

If you are in any doubt as to the action you should take, please consult your broker, CSDP, attorney, accountant, banker or other professional adviser immediately.

If you have disposed of all of your shares in Texton, then this circular, together with the attached notice of general meeting and form of proxy should be forwarded to the purchaser to whom, or the broker, agent, CSDP or banker through whom, you disposed of your shares.

The general meeting convened in terms of this circular will be held on Friday, 28 December 2018 at the registered office of Texton, Block C, Investment Place, 10th Road, Hyde Park, 2196.

Certificated shareholders and dematerialised shareholders with “own name” registration, who are unable to attend the general meeting and wish to be represented thereat, must complete and return the attached form of proxy in accordance with the instructions contained therein.

Dematerialised shareholders, other than dematerialised shareholders with “own name” registration, who:

- are unable to attend the general meeting and wish to be represented thereat, must provide their CSDP or broker with their voting instructions, in terms of the custody agreement entered into between themselves and the CSDP or broker concerned, in the manner and within the time stipulated therein;
- wish to attend the general meeting, must instruct their CSDP or broker to issue them with the necessary Letter of Representation to attend.

Texton does not accept any responsibility and will not be held liable for any failure on the part of any CSDP or broker of a dematerialised shareholder to notify such shareholder of the general meeting or any business to be concluded thereat.

IMPORTANT DATES AND TIMES

The definitions and interpretations commencing on page 4 of this circular apply *mutatis mutandis* to this section.

2018/2019

Record date to determine which Texton shareholders are entitled to receive the circular	Friday, 16 November
Circular posted to Texton shareholders and notice convening the general meeting announced on SENS on	Tuesday, 27 November
Last day to trade Texton shares in order to be recorded in the Register to vote at the general meeting	Tuesday, 18 December
Record date to be eligible to vote at the general meeting	Friday, 21 December
Last day to lodge forms of proxy for the general meeting by 10:00 on	Monday, 24 December
Last day for shareholders objecting to the Companies Act Special Resolution to notify Texton of their objection in terms of section 164(3) of the Companies Act by 10:00	Friday, 28 December
General meeting to be held at 10:00 on	Friday, 28 December
Results of general meeting released on SENS on	Friday, 28 December
Results of general meeting published in the press on	Monday, 31 December
If the Companies Act Special Resolution is approved in terms of section 115 of the Companies Act by shareholders at the general meeting, but with 15% or more votes in opposition, the last day on which shareholders who voted against such resolution can require the Company to seek court approval in terms of section 115(3)(a) of the Companies Act	Monday, 7 January
Last day for shareholders who voted against the Companies Act Special Resolution to apply for leave to apply to court for a review of the Board's decision to acquire the BEE Shares in terms of section 115(3)(b) of the Companies Act	Monday, 14 January
Last day for Texton to send notice of approval of the Companies Act Special Resolution to shareholders who qualify to receive such notice in terms of section 164(4) of the Companies Act (if any)	Monday, 14 January
Last day for shareholders to deliver written notice in terms of section 164(7) of the Companies Act demanding that Texton pay the shareholder the fair value for all the Texton shares held by that shareholder (5)	Monday, 28 January

Notes:

1. The above dates and times are subject to amendment. Any such amendment will be released on SENS and in the press.
2. All times given in this circular are local times in South Africa.
3. Additional copies of this circular in its printed format may be obtained from the Sponsor at the address set out in the "Corporate information" section of this circular during normal business hours from Tuesday, 27 November 2018 to Friday, 28 December 2018.
4. Any form of proxy not delivered to the Transfer Secretaries by Monday, 24 December 2018 may be handed to the chairperson of the general meeting immediately before the appointed proxy exercises any of the shareholder's votes at the general meeting.
5. This date applies to shareholders who object to the Repurchase in terms of section 164(3) of the Companies Act before the commencement of the general meeting and thereby qualify to receive notice of the approval of the Repurchase in terms of section 164(4) of the Companies Act and who actually receive notice on the date of the general meeting. The date applicable to any specific shareholder should be determined in accordance with section 164(7) of the Companies Act.
6. Notwithstanding a vote in favour of the Companies Act Special Resolution and/or JSE Special Resolution, and any ensuing processes undertaken in terms of section 115 of the Companies Act, the Repurchase remains subject to, and cannot and will not be implemented without the Board resolving within a period of six months from the date of the general meeting that it has applied the Solvency and Liquidity Test and has reasonably concluded that the Company will satisfy the Solvency and Liquidity Test immediately after completing the Repurchase.

DEFINITIONS AND INTERPRETATIONS

In this circular, the annexures hereto, the attached notice of general meeting and form of proxy, unless the context otherwise indicates, references to the singular include the plural and vice versa, words denoting one gender include the others, expressions denoting natural persons include juristic persons and associations of persons and *vice versa*, and the words in the first column hereunder have the meaning stated opposite them in the second column, as follows:

“Banks”	collectively, those banks to whom Texton is indebted in terms of its loan facilities, being Standard Bank, Santander, HSBC and Investec;
“BEE”	Broad-Based Black Economic Empowerment as defined in the Broad-Based Black Economic Empowerment Act, 2003 (Act 53 of 2003), as amended;
“BEE Shares”	the Subscription Shares and the Rights Offer Shares, which collectively equate to 51 858 876 Texton shares;
“BEE SPV”	Texton Broadbased Empowerment (RF) Proprietary Limited (formerly known as Business Venture Investments No 1828 Proprietary Limited) (Registration number 2014/103458/07), a private company duly incorporated in accordance with the laws of South Africa, the shareholders of which are Zava (60%), Jade (30%) and Ditikeni (10%);
“BEE Transaction”	the transaction entered into between Texton and BEE SPV, the details of which were set out in the circular to shareholders dated 18 February 2015;
“Board” or “directors”	the board of directors of Texton at the last practicable date;
“business day”	any day other than a Saturday, Sunday or a public holiday in South Africa;
“certificated shareholder”	a holder of certificated shares;
“certificated shares”	shares which are not dematerialised, title to which is represented by physical documents of title;
“circular”	this bound document, dated Tuesday, 27 November 2018, including the annexures hereto and incorporating a notice of general meeting and a form of proxy;
“Companies Act”	the Companies Act, 2008 (Act 71 of 2008), as amended;
“Companies Act Special Resolution”	has the meaning set out in paragraph 1 of this circular, being Special Resolution Number 1 set out in the notice of general meeting;
“Computershare Investor Services” or “Transfer Secretaries”	Computershare Investor Services Proprietary Limited (Registration number 2004/003647/07), a private company duly incorporated in accordance with the laws of South Africa;
“CSDP”	a Central Securities Depository Participant, accepted as a participant in terms of the Financial Markets Act, appointed by an individual shareholder for the purposes of, and in regard to the dematerialisation of documents of title for purposes of incorporation into Strate;
“custody agreement”	the custody mandate agreement between a dematerialised shareholder and a CSDP or broker governing their relationship in respect of dematerialised shares held by the CSDP or broker;
“Default Event”	a breach by BEE SPV of a covenant undertaken by BEE SPV in terms of the PIC Loan Agreements or the failure by BEE SPV to pay on the due date any amount payable pursuant to either of the PIC Loan Agreements;
“dematerialisation”	the process whereby share certificates, certificated transfer deeds, balance receipts and any other documents of title to shares in a tangible form are dematerialised into electronic records for purposes of incorporation into Strate;
“dematerialised shareholder”	a holder of dematerialised shares;

“dematerialised shares”	shares which have been incorporated into Strate and which are no longer evidenced by physical documents of title, but the evidence of ownership of which is determined electronically and recorded in the sub-register maintained by a CSDP;
“Ditikeni”	Ditikeni Investment Company Limited (Registration number 1999/008292/06), a public company duly incorporated in accordance with the laws of South Africa. The shareholders of Ditikeni comprise 18 non-profit organisations, none of which hold a controlling stake in the company;
“documents of title”	share certificates, certified transfer deeds, balance receipts and/or any other form of acceptable documents of title in respect of shares;
“Financial Markets Act”	the Financial Markets Act, 2012 (Act 19 of 2012), as amended;
“First PIC Loan”	a loan in terms of which the PIC advanced the sum of R443 504 685 to BEE SPV, on the terms contained in the First PIC Loan Agreement, for purposes of funding the subscription price payable for the Subscription Shares, together with the structuring fee payable by BEE SPV to the PIC as contemplated in the First PIC Loan Agreement;
“First PIC Loan Agreement”	the written term loan facility agreement entered into between the PIC and BEE SPV on 11 December 2014 recording the terms of the First PIC Loan;
“general meeting”	the general meeting of Texton shareholders to be held at 10:00 on Friday, 28 December 2018 at the registered office of Texton, Block C, Investment Place, 10th Road, Hyde Park, 2196, which meeting is convened in terms of the notice of general meeting attached to this circular;
“Independent Board”	those members of the Board who have been appointed to fulfill the role of an “independent board”, as contemplated in regulation 81 of the Regulations, consisting of JR Macey, A Hannington and S Thomas, all of whom are independent as contemplated in regulation 108(8) of the Regulations;
“Independent Expert”	Nodus Capital TS Proprietary Limited (Registration number 2007/004535/07), a private company duly incorporated in accordance with the laws of South Africa;
“Jade”	Jade Capital Partners Proprietary Limited (Registration number 2013/054234/07), a private company duly incorporated in accordance with the laws of South Africa, the shareholders and directors of which are Bukelwa Bulu and Zola Ntwasa;
“JIBAR”	the applicable screen rate, or if no screen rate is available, the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied by the PIC at its request, quoted by the principal Johannesburg offices of Absa Bank Limited, FirstRand Bank Limited, Investec Bank Limited, Nedbank Limited and The Standard Bank of South Africa Limited (or such other banks as may be appointed by the PIC in consultation with BEE SPV) to leading banks in the Johannesburg Interbank Market, as of 11:00 on the first day of the relevant interest period for the offering of deposits in Rand for a period comparable to the relevant interest period;
“JSE”	JSE Limited (Registration number 2005/022939/06), a public company duly incorporated in accordance with the laws of South Africa and licensed as an exchange under the Financial Markets Act;
“JSE Special Resolution”	has the meaning set out in paragraph 1 of this circular, being Special Resolution Number 2 set out in the notice of general meeting;
“last practicable date”	Tuesday, 20 November 2018, being the last practicable date prior to the finalisation of this circular;
“Listings Requirements”	the Listings Requirements of the JSE, as amended from time to time by the JSE;
“Panel”	the Takeover Regulation Panel established in accordance with section 196 of the Companies Act;
“PIC”	Government Employees Pension Fund (a pension fund established in terms of the Government Service Pension Act 57 of 1973 and renamed by the Government Employees Pension Law, Proclamation 21 of 1996, represented by Public Investment Corporation SOC Limited (Registration number 2005/009094/06), a state-owned company duly incorporated in accordance with the laws of South Africa);

“PIC Loan”	collectively, the First PIC Loan and the Second PIC Loan;
“PIC Loan Agreements”	collectively the First PIC Loan Agreement and the Second PIC Loan Agreement;
“PIC Loan Balance”	the total of the capital sums advanced and accrued interest on the PIC Loan (being interest accrued at the Interest Rate, or where BEE SPV is in default in terms of the PIC Loan Agreements, at the Default Interest Rate), excluding any costs, fees, profit share or other amounts payable in terms thereof and less all payments made in reduction thereof from time to time, as shall be determined by the PIC and set out in a certificate delivered by PIC to Texton, which certificate shall include details of all inputs into such calculation; provided that in the event of Texton disputing the correctness of such certificate and/or the PIC’s determination and Texton and the PIC not being able to resolve the matter, the matter shall be referred to independent auditors for determination in terms of the PIC Put Option Agreement;
“PIC Loan Default Interest Rate”	the PIC Loan Interest Rate plus 2% per annum;
“PIC Loan Interest Rate”	6 month JIBAR plus 300 basis points;
“PIC Put Option”	the option granted by Texton to the PIC in the PIC Put Option Agreement and in terms of which the PIC is entitled to require Texton, subject to compliance with the requirements of the Companies Act and the Listings Requirements relating to the acquisition by companies of their own shares, to purchase or procure the purchase of all or some of the BEE Shares pledged by BEE SPV to the PIC, with the purchase consideration for the BEE Shares being an amount equal to the PIC Loan Balance;
“PIC Put Option Agreement”	the written agreement entered into between Texton and the PIC on 11 December 2014, as amended and restated by way of a further written agreement thereto entered into on or about December 2016, in terms of which the PIC Put Option is governed;
“Rand” or “R”	South African Rand;
“Register”	the Texton securities register;
“Regulations”	the regulations published in terms of section 120 of the Companies Act;
“REIT”	Real Estate Investment Trust and is defined as an issuer which receives a REIT status in terms of the Listings Requirements;
“Repurchase”	the proposed acquisition by Texton of the BEE Shares from either BEE SPV or the PIC pursuant to the exercise of the PIC Put Option for the Repurchase Consideration;
“Repurchase Consideration”	an amount equal to the PIC Loan Balance as at the date of payment of such consideration;
“Rights Offer”	the fully subscribed renounceable rights offer undertaken by Texton in October 2015;
“Rights Offer Shares”	13 789 805 Texton shares acquired by BEE SPV with the proceeds of the Second PIC Loan in terms of the Rights Offer;
“Second PIC Loan”	a loan in terms of which the PIC advanced the sum of R135 967 479,97 to BEE SPV, on the terms contained in the Second PIC Loan Agreement, for purposes of funding the price payable for the Rights Offer Shares, together with certain costs and/or fees payable by BEE SPV to the PIC as contemplated in the Second PIC Loan Agreement;
“Second PIC Loan Agreement”	the written term loan facility agreement entered into between the PIC and BEE SPV on 2 December 2015 recording the terms of the Second PIC Loan;
“SENS”	the Stock Exchange News Service of the JSE;
“South Africa”	the Republic of South Africa;
“Solvency and Liquidity Test”	the solvency and liquidity test set out in section 4(1) of the Companies Act and, where applicable, as read together with the Listings Requirements;

“Sponsor” or “Merchantec Capital”	Merchantec Proprietary Limited (Registration number 2008/027362/07), a private company duly incorporated in accordance with the laws of South Africa;
“Strate”	the electronic settlement and clearing system used by the JSE, managed by Strate Proprietary Limited (Registration number 1998/022242/07), a private company duly incorporated in accordance with the laws of South Africa;
“sub-register”	the record of dematerialised shares administered and maintained by a CSDP and which forms part of the Company’s register of members as defined in the Companies Act, excluding nominees;
“Subscription and Relationship Agreement”	the agreement entered into between BEE SPV, each of the shareholders of BEE SPV and Texton on 11 December 2014, in terms of which, <i>inter alia</i> , BEE SPV: <ul style="list-style-type: none"> – agreed to subscribe for the Subscription Shares; and – agreed to certain restrictions on its ability to deal with such Texton shares (and in affect, the Rights Offer Shares) for an agreed period;
“Subscription Shares”	38 069 071 Texton shares subscribed for by BEE SPV with the proceeds of the First PIC Loan;
“subsidiary”	a subsidiary as defined in the Companies Act;
“Texton” or “the Company”	Texton Property Fund Limited (Registration number 2005/019302/06), a public company duly incorporated in accordance with the laws of South Africa and listed on the JSE;
“Texton shareholders” or “shareholders”	holders of Texton shares;
“Texton shares” or “shares”	ordinary shares of no par value in the authorised and issued share capital of Texton; and
“Zava”	Zava African Capital Proprietary Limited (Registration number 2012/106068/07), a private company duly incorporated in accordance with the laws of South Africa, the shareholders of which are Romeo Makhubela and Patrick Ntshalintshali.



TEXTON

PROPERTY FUND

TEXTON PROPERTY FUND LIMITED

Incorporated in the Republic of South Africa

(Registration number 2005/019302/06)

Share code: TEX

ISIN: ZAE000190542

Approved as a REIT by the JSE

("Texton" or "the Company")

DIRECTORS

Executive

MH Muller (*Interim Chief Executive Officer*)

IF Pick (*Chief Financial Officer*)

Non-executive

PD Naidoo

JR Macey*

M Golding

A Hannington*

JA Legh

P Ntshalintshali

S Thomas*

MJ van Heerden

TMZ Zuma*

* Independent non-executive

CIRCULAR TO TEXTON SHAREHOLDERS

1. INTRODUCTION

Further to the circular to Texton shareholders dated 18 February 2015 regarding the BEE Transaction, it was announced on SENS on 23 August 2018 that Texton had received communication from the PIC relating to the PIC Loan and the PIC Put Option, in terms of which the PIC notified Texton that a Default Event had occurred, which was a failure by BEE SPV to maintain the minimum share cover ratio in accordance with the provisions of the PIC Loan Agreements, and failing remedy of the Default Event by BEE SPV, it intended exercising its rights under the PIC Put Option Agreement.

On 13 September 2018, shareholders were advised that BEE SPV had provided communication to the PIC that it was unable to remedy the Default Event. The PIC indicated that, given the current share price trading levels and the illiquidity in the trading volumes of Texton shares, a sale of the BEE Shares as contemplated in the PIC Put Option Agreement would not restore the covenant or remedy the Default Event and accordingly, the PIC notified Texton that it has exercised the PIC Put Option and requires Texton to purchase or procure the purchase of the BEE Shares on the terms set out in the PIC Put Option Agreement.

As required in terms of section 48(2)(a) of the Companies Act, the Board has accordingly resolved to acquire the BEE Shares from either BEE SPV or the PIC, whichever is the beneficial owner of the BEE Shares at the time the Repurchase is implemented, for the Repurchase Consideration. In terms of the PIC Put Option Agreement, the Companies Act and the Listings Requirements, the implementation of the acquisition of the BEE Shares by Texton, and the Board's resolution to acquire such shares, remains subject to:

- approval of the Board's decision by a special resolution of Texton shareholders entitled to exercise voting rights on the matter passed in terms of section 48(8) read with sections 114 and 115 of the Companies Act ("**Companies Act Special Resolution**");
- approval of the Repurchase by a special resolution of Texton shareholders entitled to exercise votes on the matter, in terms of paragraph 5.69 of the Listings Requirements ("**JSE Special Resolution**"); and

- the Board resolving that it has applied the Solvency and Liquidity Test and reasonably concluding that the Company will satisfy the Solvency and Liquidity Test immediately after completing the Repurchase.

The purpose of this circular is to provide Texton shareholders with relevant information relating to the Repurchase and to give notice of a general meeting convened in order for shareholders to consider and, if deemed fit, to pass, with or without modification, the resolutions necessary to approve and implement the Repurchase in terms of both the Listings Requirements and the Companies Act. The notice of general meeting is attached to and forms part of this circular.

It is imperative that Texton convene the general meeting, and thereby crystallise the position of the various scenarios relating to the Repurchase outlined in paragraph 5, before the end of its interim reporting period, being 31 December 2018.

2. BACKGROUND AND RATIONALE

In order to meet the Company's transformation and empowerment objectives, Texton entered into the BEE Transaction in December 2014. The BEE Transaction aimed to provide a competitive advantage to Texton in the execution of its stated strategy, which included leveraging Texton's BEE status to retain and attract government and national tenants.

At the time of the BEE Transaction, the South African government was Texton's single largest tenant, occupying approximately 20% of Texton's total gross lettable area. This has been significantly reduced over time.

The BEE Transaction was structured such that BEE SPV subscribed for the Subscription Shares using funding from the PIC. The terms and conditions governing the BEE Transaction were recorded in the Subscription and Relationship Agreement and the PIC Put Option Agreement. Thereafter, the PIC and BEE SPV entered into the Second PIC Loan Agreement for purposes of funding the price payable by BEE SPV for the Rights Offer Shares. Following the Rights Offer, BEE SPV holds a total of 51 858 876 Texton shares.

In terms of the PIC Put Option Agreement, in the event of a Default Event, the PIC is obliged to first place BEE SPV in breach and to give BEE SPV 15 business days to remedy such breach. Should the breach remain unremedied, then, with Texton's approval, which may not unreasonably be delayed or withheld, the PIC shall exercise its rights in terms of the cession and pledge of Texton shares granted to it by BEE SPV and, the PIC shall procure the sale of sufficient of the BEE Shares to remedy the Default Event. If the Default Event is not remedied, then the PIC may exercise the PIC Put Option. In terms of the PIC Put Option Agreement, settlement of the purchase price for the BEE Shares is due within 90 days of receipt of the exercise notice, subject to compliance with the requirements of the Companies Act and the Listings Requirements and any other statutory and/or other regulatory requirements.

In terms of the PIC Put Option Agreement, the Repurchase Consideration payable for the BEE Shares pursuant to the Repurchase is not referenced off the market price per Texton share, but rather is contractually to be determined as an amount equal to the PIC Loan Balance as at the date of payment of such consideration.

As at the last practicable date, the Repurchase Consideration will be an amount of R668 719 409, equating to a Repurchase Consideration of *circa* R12,90 per Texton share. The market price of Texton shares on the JSE as at the last practicable date is R4,10 and the consideration payable for the BEE Shares pursuant to the Repurchase, as at the last practicable date, accordingly represents a premium of *circa* 215% to the market price of Texton shares.

The BEE Shares represent 13,79% of Texton's issued ordinary share capital. It is not clear to Texton which of BEE SPV or the PIC will be the beneficial owner of the BEE Shares at the time the Repurchase is implemented.

3. SOLVENCY AND LIQUIDITY

In terms of section 4 of the Companies Act, a company satisfies the Solvency and Liquidity Test at a particular time if, considering all reasonably foreseeable financial circumstances of the company at that time:

- the assets of the company, as fairly valued, equal or exceed the liabilities of the company, as fairly valued; and
- it appears that the company will be able to pay its debts as they become due in the ordinary course of business for a period of, in the case of the acquisition of the company of any of its shares, 12 months following that acquisition.

Furthermore, in terms of paragraph 5.69 of the Listings Requirements, the Repurchase is subject to, *inter alia*, the following:

3.1 the inclusion in the Circular of a statement by the Directors that, after considering the effect of the Repurchase, the provisions of section 4 and section 48 of the Companies Act have been complied with and that:

3.1.1 the Company and the Group will be able in the ordinary course of business to pay their debts for a period of 12 months after the date of approval of the Circular;

3.1.2 the assets of the Company and the Group will be in excess of the liabilities of the Company for a period of 12 months after the date of approval of the Circular;

- 3.1.3 the share capital and reserves of the Company and the Group will be adequate for ordinary business purposes for a period of 12 months after the date of approval of the Circular; and
 - 3.1.4 the working capital of the Company and the Group will be adequate for ordinary business purposes for a period of 12 months after the date of approval of the Circular; and
- 3.2** a resolution by the Board that it has authorised the Repurchase, that the Company and its subsidiaries have passed the Solvency and Liquidity Test and that, since the test was performed, there have been no material changes to the financial position of any company of the Group.

The Board has reasonably concluded that after considering all reasonably foreseeable financial circumstances of the Company, it is not in a position to make a positive statement that it will satisfy the Solvency and Liquidity Test immediately after completing the Repurchase, and is therefore not in a position to comply with paragraphs 3.1 and 3.2 above.

This is not a general assessment of Texton's solvency and liquidity, but an assessment of solvency and liquidity in the context of the Company's obligations in terms of the Repurchase only.

The JSE has granted the Company dispensation from compliance with paragraphs 3.1 and 3.2 above, provided the Company meets the Solvency and Liquidity Test within a period of six months from the date of the general meeting, failing which the JSE Special Resolution (if passed by the requisite majority of shareholders) will lapse.

4. JSE AND COMPANIES ACT REQUIREMENTS FOR THE REPURCHASE

As per its obligations in terms of the PIC Put Option Agreement and as required in terms of section 48(2)(a) of the Companies Act, the Board has determined by resolution that, subject to shareholders approving both the Companies Act Special Resolution and the JSE Special Resolution and further the Board determining and resolving that the Company will satisfy the Solvency and Liquidity Test immediately after completing the Repurchase, that the Company acquire the BEE Shares for the Repurchase Consideration.

In terms of section 48(8)(b) of the Companies Act, as the BEE Shares represent more than 5% of the issued ordinary share capital of Texton, the decision of the Board to acquire the BEE Shares in terms of the Repurchase is subject to the requirements of sections 114 and 115 of the Companies Act which provide, *inter alia*, that the decision must be approved by a special resolution adopted by persons entitled to exercise voting rights on the matter. In accordance with section 115(4) of the Companies Act, the votes of the PIC, BEE SPV, any person related to PIC or BEE SPV, or any person acting in concert with either such party (as defined in the Companies Act) will be excluded both for purposes of determining the number of votes in support of the Companies Act Special Resolution and for purposes of determining the requisite quorum in respect thereof.

Texton is also required to obtain a report from an independent expert in terms of the provisions of section 114(3) (as read with section 48(8)(b) and section 115) of the Companies Act. The Independent Expert's report relating to the Repurchase, prepared in terms of the provisions of section 114(3) (as read with section 48(8)(b) and section 115) of the Companies Act, is set out in Annexure 1 to this circular.

In terms of the Listings Requirements, the Repurchase requires the approval of Texton shareholders by a special resolution achieving a 75% majority of the votes cast in favour thereof by all shareholders present or represented by proxy at the general meeting, excluding participants in the Repurchase and their associates. Accordingly, in terms of paragraph 5.69(b) of the Listings Requirements, the votes of the PIC, BEE SPV and the associates of the beneficial owner of the BEE Shares will be excluded in determining the number of votes in support of the JSE Special Resolution. The presence of the PIC, BEE SPV and the associates of the beneficial owner of the BEE Shares will, however, form part of the quorum for purposes of considering the JSE Special Resolution.

As the PIC is a material shareholder of the Company following the exercise of its pledge over the BEE Shares held by BEE SPV, it is considered to be a 'Related Party' in terms of paragraphs 10.1(b)(i) of the Listings Requirements. Given that the price at which the BEE Shares are to be purchased is at a premium to the weighted average traded price of such equity securities measured over the 30 business days prior to the PIC's exercising of the PIC Put Option, Texton is accordingly required to obtain an opinion on the Repurchase by an independent expert acceptable to the JSE. The Board is also required to include a statement in this circular confirming whether the Repurchase is fair to shareholders in accordance with paragraph 5.69(e) of the Listings Requirements.

The Independent Expert's report, in terms of the provisions of section 114(3) as read with section 48(8)(b) and section 115 of the Companies Act and paragraph 5.69(e) of the Listings Requirements relating to the Repurchase, is set out in Annexure 1 to this circular.

The statements of the Independent Board and the Board as to whether the Repurchase is fair to shareholders is included in paragraph 15 below.

On the basis of the above, the Board has convened the general meeting for shareholders to consider, and if deemed fit, pass the Companies Act Special Resolution and JSE Special Resolution.

In terms of section 46 of the Companies Act, Texton may not implement the Repurchase unless the Board, by resolution, has acknowledged that it has applied the Solvency and Liquidity Test and reasonably concluded that the Company will satisfy the test immediately after completing the Repurchase. In addition, as detailed in paragraph 3 above, unless the Board is able to resolve that the Company satisfies the Solvency and Liquidity Test by 28 June 2019 (being six months from the date of the general meeting), the JSE Special Resolution (if passed by the requisite majority of shareholders) will lapse. Should the JSE Special Resolution be passed by the requisite majority of shareholders at the general meeting and the Board, within the six month period to 28 June 2019, resolves that it has applied the Solvency and Liquidity Test and reasonably concluded that the Company will satisfy the Solvency and Liquidity Test immediately after completing the Repurchase, then shareholders will be advised by way of an announcement on SENS and the Company will proceed to implement the Repurchase.

5. CONSEQUENCES OF VARIOUS SCENARIOS

In order to assist shareholders in making an informed decision as to how to vote at the general meeting, set out below is the Board's opinion as to the consequences relating to the general meeting and the Repurchase.

5.1 Consequences of the Companies Act Special Resolution and JSE Special Resolution being approved

5.1.1 Consequences for the implementation of the Repurchase

Importantly, notwithstanding a vote in favour of the resolutions to be proposed at the general meeting, the Repurchase remains subject to, and cannot and will not be implemented without the Board resolving within a period of six months from the date of the general meeting that it has applied the Solvency and Liquidity Test and reasonably concluded that the Company will satisfy the Solvency and Liquidity Test immediately after completing the Repurchase.

Should the Board so resolve and the Repurchase be implemented, the Group loan-to-value ratio will continue to be in breach of the Company's loan covenants. It is likely that this ongoing breach will either trigger a significant increase in funding costs and the renegotiation of funding terms or the calling of Texton's facilities by the Banks. This will reduce the distributable income and place pressure on the Company's interest cover covenant.

The continued breach of covenants could also lead the Banks to withdraw Texton's facilities. In this event, Texton would need to dispose of properties to settle the debt. Although Texton's properties are held at fair value, this is unlikely to be achieved under distressed sale conditions and Texton would in all likelihood have to dispose of all or a substantial portion of its entire portfolio. This would result in Texton no longer being a viable business.

The SENS announcement contemplated in paragraph 4 above will detail the exact consequences of implementing the Repurchase and impact on Texton.

5.1.2 Impact on statement of financial position and funding

As disclosed in the Texton integrated report for the year ended 30 June 2018, the inclusion of the PIC Put Option liability at 30 June 2018 resulted in the loan-to-value ratio increasing to 55,4%. This resulted in a breach of financial covenants on facilities with the Banks. The Banks have condoned the breach of the loan-to-value ratio covenants for the earlier of periods ending between 6 and 12 months from the date of the breach or if earlier, the date of a shareholder vote on the Repurchase.

Should the requisite majority of shareholders pass the Companies Act Special Resolution and/or JSE Special Resolution set out in the notice of general meeting, Standard Bank's condonation of Texton's breach of its loan-to-value ratio covenant will come to an end. The Board anticipates in the circumstances that Standard Bank will request Texton to provide satisfactory evidence that the Company is able to fund the Repurchase Consideration (notwithstanding that in those circumstances the Company would not yet be able to implement the Repurchase). If the Company is not able to provide such evidence, it is the view of the Board that the Standard Bank facility totalling *circa* R1 409,0 million will become due and payable in full. This will trigger cross-default provisions in the Company's agreements with the other Banks, with the result that all of the Company's funding from the Banks is likely to become immediately due and payable. As Texton's full portfolio of properties has been pledged as security for the aforementioned facilities, the Company would in the circumstances have to sell a significant proportion, if not all, of its property assets in order to settle its obligations to the Banks. This would put the ongoing viability of the Company at risk.

5.1.3 Impact of the Repurchase on the financial information of Texton

In the event that shareholders approve the Repurchase and assuming that Texton's facilities are withdrawn by the Banks and/or the Company is unable to raise the funding required to settle the Repurchase Consideration in the six month period from the date of the general meeting, the impact of the Repurchase on the financial information of Texton will be as follows:

- 5.1.3.1 a decrease in investment property of R3 461 million;
- 5.1.3.2 a decrease in cash of R5 million;
- 5.1.3.3 a decrease in trade and receivables of R36 million;
- 5.1.3.4 a decrease in retained earnings of R560 million;
- 5.1.3.5 a decrease in other financial liabilities of R2 273 million;
- 5.1.3.6 a decrease in the PIC Put Option liability of R669 million;
- 5.1.3.7 an increase in the total comprehensive loss for the year of R588 million; and
- 5.1.3.8 a decrease in Texton's issued shares by 51 858 876 shares as detailed in paragraph 7 below.

Assumptions:

- Transaction costs of R5 million are settled out of cash and are considered non-distributable.
- The PIC Put Option liability and the bank funding is settled through the sale of properties at between 80% and 90% of their book value.
- The sale of properties is effective 1 July 2017 and associated net property income ceases from such date.

The above impact on the financial information of Texton has not been reported on by the Company's auditors. In the event that shareholders approve the Repurchase, the SENS announcement contemplated in paragraph 4 above will detail the full *pro forma* financial effects of the Repurchase.

5.1.4 Impact on tax and REIT status

Should the requisite majority of shareholders pass the resolutions set out in the notice of general meeting, the PIC Put Option liability will remain on the statement of financial position for the year ended 31 December 2018. In these circumstances, the Board anticipates that it will not be able to reasonably conclude that Texton will satisfy the Solvency and Liquidity Test such that the Company will not be in a position to declare a distribution for the period. As a result, there would be no deduction in accordance with section 25BB of the Income Tax Act and income tax will be due on the taxable income at 28%. This would significantly reduce the amount that would be distributable to shareholders in the event that REIT status is regained.

As a REIT the effective exemption from South African corporate and capital gains tax is a substantial benefit to shareholders and is the most attractive feature of investing in a REIT.

In the event that REIT status is lost, capital gains tax would be payable by Texton and its subsidiaries on the disposal of any properties. If any of the Banks call their funding (as further detailed in paragraph 5.1.1 above), the proceeds from the disposal of any properties to settle said funding liabilities would first need to be applied to settling the capital gains tax liability and thereafter the funding. This would result in substantially more properties being disposed of to meet Texton's obligations.

If Texton is unable to comply with the Listings Requirements in relation to a REIT, then it may ultimately lose its status as a REIT.

5.1.5 Triggering of shareholder appraisal rights

The passing of the Companies Act Special Resolution would, unless the special resolution is revoked by the Company in terms of s164(9)(c) of the Companies Act or the relevant dissenting shareholders withdraws their demand for their Texton shares to be purchased by the Company at fair value pursuant to the exercise by any shareholder/s of appraisal rights under section 164 of the Companies Act (as more fully detailed in paragraph 17 below, impose a further obligation on the Company to repurchase the relevant dissenting shareholders' shares, subject to the Companies Act and JSE Listings Requirements, including having to satisfy the Solvency and Liquidity Test in relation to any such share repurchase.

5.2 Consequences of the Companies Act Special Resolution and JSE Special Resolution not being approved

Texton's obligation to implement the Repurchase is both contractually, in terms of the PIC Put Option Agreement, and legally, subject to compliance with both the Companies Act and the Listings Requirements.

Should the requisite majority of shareholders therefore fail to approve the special resolutions to be proposed at the general meeting, Texton shall not be able to implement the Repurchase.

The Board is satisfied that it has taken all reasonable steps to procure the Companies Act Special Resolution and JSE Special Resolution and, on the basis of advice received from Senior Counsel, the Board is accordingly of the opinion that if the special resolutions to be proposed at the general meeting are not approved, Texton's obligation to implement the Repurchase in terms of the PIC Put Option Agreement comes to an end and the Company will be released from all liability to the PIC in terms of the PIC Put Option Agreement and, provided that Texton has taken all reasonable steps to comply with the Companies Act and the Listings Requirements, then the PIC would have no valid claim against Texton for breach of contract.

6. SOURCE OF FUNDS

The Repurchase could only be funded by Texton from internal resources and then only, provided the Repurchase would not result in the Company failing to satisfy the Solvency and Liquidity Test. Texton does not have sufficient available facilities to settle the PIC Put Option liability in the event that shareholders approve the Repurchase and funds would need to be raised through the disposal of properties as more fully dealt with in paragraph 5.1 above.

7. SHARE CAPITAL

The table below shows the issued share capital of Texton before and after the Repurchase, based on the share capital as at the last practicable date:

Before the Repurchase	R'000
Authorised share capital	
2 000 000 000 ordinary shares of no par value	
Issued share capital	
376 066 766 ordinary shares of no par value	2 257 206
Total issued share capital	2 257 206

Texton has 26 672 213 treasury shares in issue.

After the Repurchase	R'000
Authorised share capital	
2 000 000 000 ordinary shares of no par value	
Issued share capital	
324 207 890 ordinary shares of no par value	2 257 206
Total issued share capital	2 257 206

Texton will continue to have 26 672 213 treasury shares in issue.

Application will be made to the JSE for the delisting of the BEE Shares once the Repurchase has been effected.

8. MAJOR SHAREHOLDERS

8.1 Major shareholders before the Repurchase

Those shareholders who, as at the last practicable date insofar as is known to Texton, directly or indirectly, were beneficially interested in 5% or more of the issued share capital of Texton, are set out in the table below:

Shareholder	Number of Shares	Percentage shareholding (%)
Oak Tech Trading Proprietary Limited	63 370 121	16,9
BEE SPV	51 858 876	13,8
Coronation Fund Managers	40 160 367	10,7
Standard Chartered Bank	28 220 724	7,5
Electus Fund Managers	23 945 356	6,4
Investec Asset Management	22 276 242	5,9
Government Employees Pension Fund	19 568 008	5,2
Total	249 399 694	66,3

8.2 Major shareholders after the Repurchase

Assuming the Repurchase is implemented, those shareholders who, insofar as is known to Texton, directly or indirectly, would be beneficially interested in 5% or more of the issued share capital of Texton, are set out in the table below:

Shareholder	Number of Shares	Percentage shareholding (%)
Oak Tech Trading Proprietary Limited	63 370 121	19,5
Coronation Fund Managers	40 160 367	12,4
Standard Chartered Bank	28 220 724	8,7
Electus Fund Managers	23 945 356	7,4
Investec Asset Management	22 276 242	6,9
Government Employees Pension Fund	19 568 008	6,0
Total	197 540 818	60,9

9. DIRECTORS

9.1 Directors' Interests

9.1.1 Directors' interests before the Repurchase

At the last practicable date, the directors (and their associates) held, directly or indirectly, beneficial interests in 160 722 535 shares in Texton, representing approximately 42,8% of the total issued share capital of Texton. The direct and indirect beneficial interests of members of the Board are as follows:

Director	Beneficial		Total shares	Total %
	Direct	Indirect		
Executive				
MH Muller	–	–	–	–
IF Pick	15 000	1 260	16 260	0,0
Non-executive				
PD Naidoo	–	15 038 268	15 038 268	4,0
JR Macey	–	20 000	20 000	0,0
M Golding ¹	–	66 131 288	66 131 288	17,6
JA Legh	10 197 632	1 738 482	11 936 114	3,2
P Ntshalintshali ²	–	51 858 876	51 858 876	13,8
MJ van Heerden	–	15 721 729	15 721 729	4,2
TMZ Zuma	–	–	–	–
A Hannington	–	–	–	–
	10 212 632	150 509 903	160 722 535	42,8

Notes:

- 63 370 121 shares are held by Oak Tech Trading Proprietary Limited and 761 167 by Geomer Investments Proprietary Limited of which Mr Golding is a director and shareholder. 2 000 000 shares are held by Mr Golding's wife.
- 51 858 876 shares are held by BEE SPV, of which P Ntshalintshali is a director and indirect shareholder.

9.1.2 Directors' interests after the Repurchase

Assuming the Repurchase is implemented, the directors (and their associates) would hold, directly or indirectly, beneficial interests in 108 863 659 shares in Texton, representing approximately 33,6% of the total issued share capital of Texton as follows:

Director	Beneficial		Total shares	Total %
	Direct	Indirect		
Executive				
MH Muller	–	–	–	–
IF Pick	15 000	1 260	16 260	0,0
Non-executive				
PD Naidoo	–	15 038 268	15 038 268	4,6
JR Macey	–	20 000	20 000	0,0
M Golding ¹	–	66 131 288	66 131 288	20,4
JA Legh	10 197 632	1 738 482	11 936 114	3,7
P Ntshalintshali	–	–	–	–
MJ van Heerden	–	15 721 729	15 721 729	4,9
TMZ Zuma	–	–	–	–
A Hannington	–	–	–	–
	10 212 632	98 651 027	108 863 659	33,6

Note:

- 63 370 121 shares are held by Oak Tech Trading Proprietary Limited and 761 167 by Geomer Investments Proprietary Limited of which Mr Golding is a director and shareholder. 2 000 000 shares are held by Mr Golding's wife.

9.2 Former directors' interests

As at 30 June 2018, being the date of the last financial year, the following directors who resigned during the last 18 months prior to the last practicable date and their associates, held directly or indirectly, approximately 0,0% of the total issued share capital of Texton as follows:

Director	Beneficial		Total shares	Total %
	Direct	Indirect		
JD Wiese	–	–	–	–
N Balfour	20 000	–	20 000	0,0
N Morris	–	–	–	–
S Mia	–	–	–	–
	20 000	–	20 000	0,0

As far as the Board is aware, there has been no change in the abovementioned former directors' interests between the end of the preceding financial year and the last practicable date.

9.3 Additional disclosure

- Save for Mr P Ntshalintshali, who is a director and indirect shareholder of BEE SPV as set out in paragraph 9.1.1 above, no director of Texton has any interest in BEE SPV and/or PIC shares as at the last practicable date.
- Save as set out in this circular, Texton does not have, and no Texton director has, any interest in actions to be effected by BEE SPV and/or PIC.
- Save for the PIC Put Option Agreement, PIC Loan Agreements and the Subscription and Relationship Agreement, no agreement exists between Texton or any person acting in concert with Texton, and:
 - BEE SPV and/or PIC;
 - any directors of BEE SPV and/or PIC, or persons who were directors of BEE SPV and/or PIC within the 12 months preceding the last practicable date; or

9.3.3.3 holders of BEE SPV and/or PIC shares, or persons who held BEE SPV and/or PIC shares within the 12 months preceding the last practicable date,

which agreement is considered to be material to a decision regarding the Repurchase.

- 9.3.4** No financing arrangements have been entered into by Texton in relation to the Repurchase.
- 9.3.5** If implemented, the Repurchase will be undertaken in full in accordance with the terms of the PIC Put Option Agreement without regard to any lien, right of set-off, counterclaim or other analogous right to which Texton may otherwise be, or claim to be, entitled against BEE SPV and/or PIC.
- 9.3.6** As at the last practicable date, and as far as the Company is aware, no person was irrevocably committed to vote in favour or against the Repurchase.
- 9.3.7** The constitution of the Board will not change as a result of the Repurchase. The Directors' remuneration and benefits are set out in the Report of the Remuneration and Nominations Committee Report which forms part of the Integrated Annual Report of Texton for the year ended 30 June 2018 which is available at the Company's website: http://www.texton.co.za/documents/Texton_Property_Fund_Limited_int.pdf. There will be no change to remuneration of the directors as a result of the Repurchase.

10. MATERIAL CHANGES

The Board reports that, other than the exercise by the PIC of the PIC Put Option, there have been no material changes in the financial or trading position of the Company since the reported financial information of Texton for the year ended 30 June 2018.

11. LITIGATION STATEMENT

The Board reports that there are no legal or arbitration proceedings, pending or threatened, of which it is aware, that may have or have had, in the 12-month period preceding the date of this circular, a material effect on the financial position of either Texton or its subsidiaries.

12. EXPERTS' CONSENTS

The Sponsor, Joint Corporate Advisers, Legal Adviser, Independent Expert and the Transfer Secretaries have consented in writing to act in the capacities stated and to their names being stated in this circular and have not, prior to the last practicable date, withdrawn their consent.

13. COSTS

The costs of the Repurchase, which amount to approximately R5 000 000 excluding VAT, are detailed in the table below:

Description	Service provider	Estimated amount (R)
Sponsor and Joint Corporate Adviser	Merchantec Capital	600 000
Joint Corporate Adviser	Tenurey BSM	560 000
Joint Corporate Adviser	Java Capital	400 000
Legal Adviser	Glyn Marais	1 500 000
Senior Counsel	SC Fine and SC Rome	1 150 000
Independent Expert	Nodus Capital	150 000
Tax Opinion	PvdZ Consulting	100 000
Takeover Regulation Panel regulation fees	Takeover Regulation Panel	150 000
JSE document inspection fees	JSE	20 600
Contingency costs		319 400
Printing and postage		50 000
Total		5 000 000

14. OPINION OF THE INDEPENDENT EXPERT

In accordance with the provisions of section 114(3) (as read with section 48(8)(b) and section 115) of the Companies Act, and paragraph 5.69(e) of the Listings Requirements, the Company has appointed Nodus Capital TS Proprietary Limited as the Independent Expert to provide the Board with its opinion as to whether the terms of the Repurchase are fair and reasonable to shareholders. Taking into consideration the terms and conditions of the Repurchase, the Independent Expert is of the opinion that the Repurchase is not fair and not reasonable to shareholders.

The Independent Expert's opinion is included in Annexure 1 to this circular and has not been withdrawn prior to the publication of this circular.

15. DIRECTORS' OPINIONS

15.1 View of the Independent Board

The Independent Board, after due consideration of the report of the Independent Expert regarding the Repurchase, and in accordance with its responsibilities in terms of regulation 110 of the Regulations, has formed a view of the range of the fair value of Texton shares, which accords with the valuation range contained in the report of the Independent Expert. The Repurchase consideration exceeds both the fair value per share and the current traded price per share as at the last practicable date.

The Independent Board, taking into account the report of the Independent Expert regarding the Repurchase, has considered the terms and conditions thereof, and the members of the Independent Board are unanimously of the opinion that the terms and conditions of the Repurchase are not fair and not reasonable to shareholders.

15.2 View of the Board

The Board, after due consideration of the report of the Independent Expert regarding the Repurchase, has considered the terms and conditions thereof, and is of the opinion that the Repurchase is not fair and not reasonable to shareholders.

16. DIRECTORS' RESPONSIBILITY STATEMENT

16.1 Independent Board responsibility statement

The members of the Independent Board collectively and individually accept responsibility for the information contained in this circular to the extent that it relates to Texton. In addition, they certify that, to the best of their knowledge and belief, the information contained in this circular pertaining to Texton is true and, where appropriate, the circular does not omit anything that is likely to affect the importance of the information contained in this circular pertaining to Texton. No director on the Independent Board is excluded from this statement.

16.2 Board responsibility statement

The directors whose names are stated on page [12] above, collectively and individually, accept full responsibility for the accuracy of the information contained in the circular and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement in this circular false or misleading, that all reasonable enquiries to ascertain such facts have been made and that this circular contains all information required by law and the Listings Requirements.

17. DISSENTING SHAREHOLDERS' APPRAISAL RIGHTS

Shareholders are advised that the Companies Act affords the entitlement to seek relief in terms of section 164 to holders of voting rights in respect of the Companies Act Special Resolution, provided that the holders take appropriate action as prescribed in section 164 of the Companies Act.

At any time before the Companies Act Special Resolution in respect of the Repurchase is to be voted on at the general meeting, a Texton shareholder may give Texton written notice in terms of section 164 of the Companies Act objecting to such special resolution.

Within 10 business days after Texton has adopted the Companies Act Special Resolution, Texton must send a notice that the special resolution has been adopted to each Texton shareholder who gave the Company written notice of objection and has neither withdrawn that notice nor voted in favour of the special resolution.

A Texton shareholder who has given written notice in terms of section 164 of the Companies Act objecting to the Companies Act Special Resolution, voted against it and complied with all of the procedural regulations set out in section 164 of the Companies Act may, if the special resolution has been adopted, demand in writing within:

- 20 business days after receipt of the notice from Texton referred to above; or
- if the Texton shareholder does not receive the notice from the Company referred to above, 20 business days after learning that the special resolution has been adopted,

that the Company pay that Texton shareholder the fair value (in terms of and subject to the requirements set out in section 164 of the Companies Act) for all the Texton shares held by that shareholder.

A full extract of section 164 of the Companies Act contained in Annexure 3 to this circular.

18. SECTION 115 OF THE COMPANIES ACT

The Companies Act Special Resolution may only be actioned if the Panel has issued a compliance certificate in terms of sections 115(1)(b) and 121(b) of the Companies Act.

In addition, and notwithstanding that the Companies Act Special Resolution may have been adopted, the Company may not proceed to action the Companies Act Special Resolution without the approval of the court if:

- such special resolution was opposed by at least 15% of the voting rights that were exercised on that thereon, and within 5 business days after the vote, any person who voted against that Companies Act Special Resolution requires the company to seek court approval; or
- the court, on application within 10 business days after the vote by any person who voted against the Companies Act Special Resolution grants that person leave to apply to a court for a review of the Companies Act Special Resolution.

A full extract of section 115 of the Companies Act contained in Annexure 2 to this circular.

The above summary of the provisions of section 115 of the Companies Act is not intended to provide specific advice and no action should be taken or omitted to be taken in reliance upon it. Shareholders that are in doubt as to what action to take must consult their legal or professional advisor in this regard.

Notwithstanding a vote in favour of the Companies Act Special Resolution and any ensuing processes undertaken in terms of section 115 of the Companies Act, the Repurchase remains subject to, and cannot and will not be implemented without the Board resolving within a period of six months from the date of the general meeting that it has applied the Solvency and Liquidity Test and has reasonably concluded that the Company will satisfy the Solvency and Liquidity Test immediately after completing the Repurchase.

19. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents, or copies thereof, will be available for inspection at the offices of Texton and that of the Sponsor, which addresses are set out in the “Corporate Information” section of the circular, during normal business hours from Tuesday, 27 November 2018 up to and including, Friday, 28 December 2018:

- the Company’s Memorandum of Incorporation;
- Texton’s audited annual financial statements for the three years ended 30 June 2016, 30 June 2017 and 30 June 2018;
- the PIC Put Option Agreement;
- the Subscription and Relationship Agreement;
- the written consent letters referred to in paragraph 12 above;
- the report of the Independent Expert;
- the letter of approval of the circular from the Panel; and
- a signed copy of this circular.

20. GENERAL MEETING

A general meeting of Texton shareholders, will be held at 10:00 on Friday, 28 December 2018 at the registered office of Texton, Block C, Investment Place, 10th Road, Hyde Park, 2196, in order to consider and approve the resolutions set out in the notice of general meeting attached to this circular.

A notice convening the general meeting and a form of proxy for use by certificated shareholders and dematerialised shareholders with “own name” registration who are unable to attend the general meeting, form part of this circular.

Certificated shareholders and dematerialised shareholders with “own name” registration, who are unable to attend the general meeting and wish to be represented thereat, must complete and return the attached form of proxy in accordance with the instructions contained therein.

Dematerialised shareholders, other than dematerialised shareholders with “own name” registration, who:

- are unable to attend the general meeting and wish to be represented thereat, must provide their CSDP or broker with their voting instructions, in terms of the custody agreement entered into between themselves and the CSDP or broker concerned, in the manner and within the time stipulated therein;
- wish to attend the general meeting, must instruct their CSDP or broker to issue them with the necessary written Letter of Representation to attend.

Signed on behalf of the Texton Board

Marius H Muller
Interim Chief Executive Officer

27 November 2018
Johannesburg

REPORT OF THE INDEPENDENT EXPERT

“The Directors
Texton Property Fund Limited
Block C, Investment Place
10th Road, Hyde Park
Johannesburg
2196

21 November 2018

Dear Sirs and Mesdames

INDEPENDENT EXPERT OPINION TO TEXTON PROPERTY FUND LIMITED (“TEXTON” OR THE “COMPANY”) RELATING TO A SPECIFIC SHARE REPURCHASE FROM A RELATED PARTY (THE “TRANSACTION” OR THE “SPECIFIC REPURCHASE”)

The definitions contained in the circular to Texton shareholders, dated on or about 27 November 2018, apply to this opinion, unless otherwise defined herein.

INTRODUCTION

On 23 August 2018, it was announced on SENS that Texton had received communication from the PIC relating to the PIC Loan and the PIC Put Option, in terms of which the PIC notified Texton that a Default Event had occurred and failing remedy of the Default Event by the BEE SPV, it intended exercising its rights under the PIC Put Option Agreement. The PIC Put Option was granted by Texton to the PIC and entitles the PIC to require Texton, subject to compliance with the requirements of the Companies Act and the Listings Requirements, relating to the acquisition by companies of their own shares, to purchase or procure the purchase of all or some of the BEE Shares pledged by the BEE SPV, with the purchase consideration for the BEE Shares being an amount equal to the PIC Loan Balance.

On 13 September 2018, shareholders were advised that the BEE SPV had provided communication to the PIC that it was unable to remedy the Default Event. The PIC indicated that, given the current share price and the illiquid volume of Texton shares, a sale of the BEE Shares as contemplated in the PIC Put Option Agreement would not restore the covenant or remedy the Default Event and accordingly, the PIC notified Texton of the exercise of the PIC Put Option.

The outstanding loan amount due to the PIC under the PIC Loan was R668 719 409 as at the last practicable date. As the PIC Put Option has been exercised in respect of 51 858 876 Texton shares, it implies a repurchase price of R12,90 per Texton share (the “Repurchase Price”).

In terms of the PIC Put Option, Texton is obliged to undertake the Specific Repurchase subject to compliance with the Listings Requirements, Companies Act and other regulatory approvals.

Furthermore, the PIC is a material shareholder of the Company as after the exercise of the pledge of the BEE Shares granted to it by the BEE SPV, it will hold more than 10% of the issued share capital of Texton. Accordingly, it is considered to be a ‘Related Party’ in terms of paragraphs 10.1(b)(i) of the Listings Requirements. As the Repurchase Price is at a premium to the weighted average traded price of such equity securities measured over the 30 business days prior to the PIC’s exercising of the PIC Put Option, Texton is required to obtain an opinion on the Specific Repurchase by an independent expert acceptable to the JSE.

As at the date of this Opinion, the share capital of the Company comprises of the following:

- Authorised share capital comprising 2 000 000 000 ordinary shares of no par value each (“Ordinary Shares”); and
- Issued share capital of R2 257 206 000 comprising 376 066 766 Ordinary Shares.

The Company had no share options in issue and held 26 672 213 treasury shares.

Full details of the Transaction are contained in the circular to Texton shareholders (the “Circular”) to be dated on or about 27 November 2018, which will include a copy of this Opinion of the Independent Expert.

The material interests of the Texton directors are set out in paragraph 9 of the Circular.

SCOPE

In terms of paragraph 5.69(e) of the Listings Requirements, Texton is required to obtain an opinion on the Specific Repurchase by an independent expert, and the Board is required to include a statement in the Circular confirming whether the Specific Repurchase is fair to Texton shareholders.

As the Transaction involves the acquisition by the Company of more than 5% of its issued ordinary shares, the Specific Repurchase is subject to the provisions of section 114(4) (as read with section 48(8)(b) and section 115 of the Companies Act), and the directors are required to obtain independent external advice as to how the Transaction affects all holders of Texton securities (collectively the “Fair and Reasonable Opinion” or “Opinion”).

Nodus Capital TS Proprietary Limited (“Nodus” or the “Independent Expert”) has been appointed by the Board to provide independent advice to the Board, as required in terms of the Listings Requirements, the Companies Act and the Regulations.

RESPONSIBILITY

The compliance with the Listings Requirements, the Companies Act and the Regulations is the responsibility of the Board. Our responsibility is to report on the terms and conditions of the Transactions in compliance with the related provisions of the Listings Requirements, the Companies Act and the Regulations.

We confirm that our fair and reasonable opinion has been provided to the Board for the sole purpose of assisting them in forming and expressing an opinion for the benefit of Texton shareholders in relation to the Transaction.

DEFINITION OF THE TERMS “FAIR” AND “REASONABLE”

The “fairness” of a transaction is based on quantitative issues. A transaction will generally be considered fair to a company’s shareholders if the benefits received by a company, as a result of the corporate action, are equal to or greater than the value surrendered by the company.

In terms of the Listings Requirements and the Companies Act, the Specific Repurchase may be said to be fair if the value of a Texton share is greater than or equal to the Repurchase Price paid by Texton and, conversely, unfair if the value of the Repurchase Price exceeds the value of a Texton share.

An assessment of reasonableness is generally based on factors other than quantitative considerations. Even though the repurchase price may differ from the market value of the assets being acquired, a transaction may still be reasonable after considering other significant qualitative factors.

OUR APPROACH IN CONSIDERING THE TRANSACTION

In considering the Repurchase Price, we have independently calculated the fair value of a Texton share and compared our fair value of a Texton share to the Repurchase Price.

SOURCES OF INFORMATION

The principal sources of information used in performing our work include:

- The announcements on 23 August 2018 and 13 September 2018;
- The terms and conditions of the Transaction, as set out in the Circular;
- The PIC Put Option Agreement;
- The rationale for the Transaction, as set out in the Circular;
- The impact of the Specific Repurchase on the financial information and position of Texton, as set out in the Circular;
- Representations and assumptions made available by, and discussions held with, the management of Texton;
- Selected macro-economic analysis and forecasts from various South African banks and research institutions;
- Selected publicly available information relating to the industries in which Texton operates, obtained from management and public sources;
- Share price information of Texton over the last 12 months to assess the relative liquidity and relative volatility of Texton shares;
- Thomson Reuters for financial data;
- Closing the value gap – PricewaterhouseCoopers Valuation Methodology Survey 2016/2017, 8th edition;
- Published market data on Texton;
- Annual financial statements of Texton for the 3 years ended 30 June 2018;
- Forecast information for Texton for the year ending 30 June 2020; and
- The 30 day, 60 day and 90 day volume weighted average price (“VWAP”) as at 23 August 2018 for Texton.

We have relied upon and assumed the accuracy of the information provided to and obtained by us in deriving our Opinion. Where practical, we have corroborated the reasonableness of the information provided to us for the purpose of our Opinion, whether in writing or obtained in discussion with Texton management, by reference to publicly available or independently obtained information.

While our work has involved an analysis of, *inter alia*, the annual financial statements and other information provided to us, our engagement does not constitute an audit conducted in accordance with generally accepted auditing standards.

PROCEDURES PERFORMED

In arriving at our Opinion we have undertaken the following procedures in evaluating the fairness of the Transaction:

- Considered the rationale for the Transaction, as represented by Texton;
- Reviewed the terms and conditions of the Transaction;
- Reviewed the PIC Put Option Agreement;
- Supplemented our knowledge and understanding of Texton as well as the industry in which it operates;
- Held discussions with Texton management on the prospects of the underlying businesses within Texton;
- Reviewed and analysed the historical financial information of Texton;
- Considered the value of Texton taking cognisance of the discounted cash flow valuation performed and market multiples of comparable companies;
- Assessed the forecast of Texton as prepared by management and challenged certain assumptions;
- Reviewed Texton's historic traded share prices and trading volumes on the JSE to ascertain the relative trading activities, liquidity and volatility of the Texton shares;
- Reviewed certain publicly available information relating to Texton and the industries in which it operates that we deemed to be relevant, including company announcements and media articles;
- Assessed Texton's historic share price against its net asset value ("NAV") at various historical year ends as at 30 June;
- Performed an analysis of other information considered pertinent to our valuation and Opinion;
- Considered representations made by Texton management and its advisors; and
- Obtained from the management of Texton a letter of representation in respect of, amongst other things, the information shared and/or statements made to us and upon which we have relied.

We have not interviewed any of the Texton shareholders to obtain their views on the Transaction.

Based on the results of the procedures mentioned above, we determined the fairness and reasonableness of the Transaction to Texton shareholders. We believe that the above considerations justify the conclusion outlined below.

VALUATION

Nodus performed an independent valuation of Texton to determine whether the Transaction represents fair value to the Texton shareholders.

For the purposes of our valuation of Texton we used the income approach (discounted cash flow) valuation as our primary valuation methodology. In addition, we used a market approach (based on financial data for comparable publicly traded companies) as a corroborative valuation methodology to support the results of our income approach valuation.

The valuations were performed taking cognisance of risk and other market and industry factors affecting Texton. Additionally, sensitivity analyses were performed considering key assumptions. Prevailing market and industry conditions were also considered in assessing the risk profile of Texton.

Texton is a property investment fund formed to invest directly in income producing properties that offer potential for capital appreciation. The overall objective of Texton is to grow its asset base, by investing in well priced, income producing and quality enhancing investment properties and to optimise returns over time for shareholders.

Key internal value drivers to the Texton income approach valuation included the discount rate and revenue growth. In addition, we considered the valuation's sensitivity in respect of working capital requirements, capital expenditure and operating margins.

Key external value drivers to the Texton income approach valuation, including gross domestic product ("GDP") growth rates, interest rates, headline inflation rates and prevailing market and industry conditions in respect of the industry in which Texton operates, were also considered in assessing the forecast cash flows and risk profile of Texton.

Key internal value drivers to the Texton market approach valuation included an assessment of non-recurring transactions included in historical results, margins and expected future growth in the business. Prevailing market and industry conditions were also considered as key external value drivers in assessing the risk profile of Texton, as well as an assessment of market-related earnings multiples applicable to comparable companies.

The revenue growth for Texton is driven by annual contractual increases and decreased vacancies across its property portfolio. Growth in GDP in the countries in which Texton operates should fuel tenant demand due to increased economic activity. Increasing the forecast revenue growth rate by 10% has a ~2,5% impact on the enterprise value of Texton. The inflation rate utilised in the income approach valuation approximated 5%. Company specific risks have been included in the discount rate which has the impact of increasing the discount rate and decreasing the value of a Texton share. A 1% change in the discount rate will result in a ~12,5% change in the enterprise value of Texton.

Lastly, we also considered the NAV per share of Texton and the implied dividend yield for Texton shares, based on the management prepared forecast and comparable companies' dividend yields.

Taking in to consideration of all of the above valuation approaches and results, we determined a valuation range for a Texton Share, as disclosed in the Valuation section below.

ASSUMPTIONS

Our Opinion is based on the following key assumptions:

- Current economic, regulatory and market conditions will not change materially;
- Texton is not involved in any material legal proceedings other than those conducted in the ordinary course of business and/or as disclosed in the Circular;
- Texton is, at the date of this Opinion of the Independent Expert, not engaged in any advanced discussions relating to any acquisitions or transactions that will have a significant impact on the value of Texton, other than those disclosed in the Circular;
- Texton does not have any material outstanding disputes with the South African Revenue Service;
- There are no undisclosed contingencies that could affect the value of Texton;
- The Transaction will have the legal, accounting and taxation consequences described in discussions with, and materials furnished to us by representatives and advisors of Texton;
- Reliance can be placed on the financial information of Texton; and
- Texton's existing businesses are ongoing under current business plans and management.

APPROPRIATENESS AND REASONABLENESS OF UNDERLYING INFORMATION AND ASSUMPTIONS

We satisfied ourselves as to the appropriateness and reasonableness of the information and assumptions employed in arriving at our Opinion by:

- Reliance on audit reports in the financial statements of Texton;
- Conducting analytical reviews on the historical financial results and the forecast financial information, such as key ratio and trend analysis; and
- Determining the extent to which representations from management were confirmed by documentary and audited financial evidence, as well as our understanding of Texton as well as the economic environment in which it operates.

VALUATION RESULTS

In undertaking the valuation exercise of Texton above, we determined a valuation range of a Texton share of R5,90 to R8,70 per Ordinary Share, with a likely value of R7,30 per Ordinary Share.

Based on the valuation range of a Texton share, the Repurchase Price exceeds our concluded valuation range for a Texton share.

The valuation above is provided solely in respect of this Opinion and should not be used for any other purposes.

REASONABLENESS OF THE SPECIFIC REPURCHASE

In considering the reasonableness of the Specific Repurchase, we considered, *inter alia*, the following:

- the rationale for the Transaction;
- the PIC Put Option Agreement;
- the disclosure in the Texton integrated report for the year ended 30 June 2018, indicating that the inclusion of the PIC Put Option liability at 30 June 2018 results in the loan-to-value ratio increasing to 55,4%. This resulted in a breach of financial covenants on facilities with the Banks. The Banks have condoned the breach of the loan-to-value ratio covenant for the earlier of periods between 6 and 12 months from the date of the breach or a shareholder vote on the Repurchase. Should the requisite majority of shareholders pass either the Companies Act Special Resolution or JSE Special Resolution set out in the notice of general meeting, Standard Bank's condonation of Texton's breach of its loan-to-value ratio covenant will come to an end. The Board anticipates in the circumstances that Standard Bank will request Texton to provide satisfactory evidence that the Company is able to fund the Repurchase Consideration (notwithstanding that in those circumstances the

Company would not yet be able to implement the Repurchase). If the Company is not able to provide such evidence, it is the view of the Board that the Standard Bank facility totalling R1 409,0 million will become due and payable in full. This will trigger cross-default provisions in the Company's agreements with the other Banks, with the result that all of the Company's funding from the Banks is likely to become immediately due and payable. As Texton's full portfolio of properties has been pledged as security for the aforementioned facilities, the Company would in the circumstances have to sell a significant proportion, if not all, of its property assets in order to settle its obligations to the Banks. This would put the ongoing viability of the Company at risk;

- the potential negative impacts on Texton's tax and REIT status;
- the potential triggering of shareholder appraisal rights
- the fact that the Solvency and Liquidity Test will not be satisfied after completing the Specific Repurchase and paying the Repurchase Consideration;
- the 30 day, 60 day and 90 day VWAP as at 23 August 2018 for Texton; and
- the trading liquidity of Texton shares.

OPINIONS

In terms of the Listing Requirements

Nodus has considered the terms and conditions of the Specific Repurchase and, based on and subject to the conditions set out herein, is of the opinion that the terms and conditions of the Specific Repurchase, based on quantitative considerations, are unfair to the Texton shareholders.

In terms of the Companies Act

Nodus has considered the terms and conditions of the Specific Repurchase and, based on and subject to the conditions set out herein, is of the opinion that the terms and conditions of the Specific Repurchase, based on quantitative considerations, are unfair to the Texton shareholders.

Based on qualitative factors, we are of the opinion that the terms and conditions of the Specific Repurchase are unreasonable from the perspective of the Texton shareholders.

LIMITING CONDITIONS

This Opinion of the Independent Expert is provided to the Board in connection with and for the purposes of the Transaction. The Opinion of the Independent Expert does not purport to cater for each individual Texton Shareholder's perspective, but rather that of the general body of Texton shareholders.

This Opinion of the Independent Expert is provided in terms of the Listing Requirements, the Companies Act and the Regulations. It does not constitute a recommendation to any Texton shareholder as to how to vote at any shareholders' meeting relating to the Transaction or on any matter relating to it. Therefore, it should not be relied upon for any other purpose. We assume no responsibility to anyone if this Opinion of the Independent Expert is used or relied upon for anything other than its intended purpose. Should an individual Texton shareholder have any doubts as to what action to take, such shareholder should consult an independent advisor.

Budgets/projections/forecasts relate to future events and are based on assumptions, which may not remain valid for the whole of the forecast period. Accordingly, this information cannot be relied upon to the same extent as that derived from audited financial statements for completed accounting periods.

We express no opinion as to how closely actual results will correspond to those projected/forecast by the management of Texton. We have compared the projected/forecast financial information to past trends as well as discussed the assumptions inherent therein with management.

The above findings are necessarily based upon the information available to us, the financial, regulatory, market and other conditions and circumstances existing and disclosed to us up to the last practicable date. We have assumed that all conditions precedent in the transaction agreements, including any material regulatory and other approvals, if any, will be properly fulfilled/obtained. Subsequent developments may affect our findings, however, we are under no obligation to update, revise or re-affirm such.

The valuation of companies and businesses is not a precise science and conclusions arrived at, will, in many cases, be subjective and dependent on the exercise of individual judgment.

INDEPENDENCE, COMPETENCE AND FEES

We confirm that we have no direct or indirect interest in Texton shares or the Transaction. We also confirm that we have the necessary qualifications and competence to provide the independent opinion on the Transaction.

Furthermore, we confirm that our professional fee of R150 000 (excluding VAT) is not contingent upon the success of the Transaction.

CONSENT

We consent to the inclusion of this letter and the reference to our opinion in the Circular to be issued to the shareholders of Texton in the form and context in which it appears and in any required regulatory announcement or documentation.

Yours faithfully

Johan le Roux CA(SA)

Director: Nodus Capital TS Proprietary Limited

Building 2
Commerce Square Office Park
39 Rivonia Road
Sandhurst
2196

SECTION 115: REQUIRED APPROVAL FOR TRANSACTIONS CONTEMPLATED IN CHAPTER 5 OF THE COMPANIES ACT

- (1) Despite section 65, and any provision of a company's Memorandum of Incorporation, or any resolution adopted by its board or holders of its securities, to the contrary, a company may not dispose of, or give effect to an agreement or series of agreements to dispose of, all or the greater part of its assets or undertaking, implement an amalgamation or a merger, or implement a scheme of arrangement, unless:
- (a) the disposal, amalgamation or merger, or scheme of arrangement:
 - (i) as been approved in terms of this section; or
 - (ii) is pursuant to or contemplated in an approved business rescue plan for that company, in terms of Chapter 6; and
 - (b) to the extent that Parts B and C of this Chapter and the Takeover Regulations apply to a company that proposes to:
 - (i) dispose of all or the greater part of its assets or undertaking;
 - (ii) amalgamate or merge with another company; or
 - (iii) implement a scheme of arrangement, the Panel has issued a compliance certificate in respect of the transaction, in terms of section 119(4)(b), or exempted the transaction in terms of section 119(6).
- (2) A proposed transaction contemplated in subsection (1) must be approved:
- (a) by a special resolution adopted by persons entitled to exercise voting rights on such a matter, at a meeting called for that purpose and at which sufficient persons are present to exercise, in aggregate, at least 25% of all of the voting rights that are entitled to be exercised on that matter, or any higher percentage as may be required by the company's Memorandum of Incorporation, as contemplated in section 64(2); and
 - (b) by a special resolution, also adopted in the manner required by paragraph (a), by the shareholders of the company's holding company if any, if:
 - (i) the holding company is a company or an external company;
 - (ii) the proposed transaction concerns a disposal of all or the greater part of the assets or undertaking of the subsidiary; and
 - (iii) having regard to the consolidated financial statements of the holding company, the disposal by the subsidiary constitutes a disposal of all or the greater part of the assets or undertaking of the holding company; and
 - (c) by the court, to the extent required in the circumstances and manner contemplated in subsections (3) to (6).
- (3) Despite a resolution having been adopted as contemplated in subsections (2)(a) and (b), a company may not proceed to implement that resolution without the approval of a court if:
- (a) the resolution was opposed by at least 15% of the voting rights that were exercised on that resolution and, within five business days after the vote, any person who voted against the resolution requires the company to seek court approval; or
 - (b) the court, on an application within 10 business days after the vote by any person who voted against the resolution, grants that person leave, in terms of subsection (6), to apply to a court for a review of the transaction in accordance with subsection (7).
- (4) For the purposes of subsections (2) and (3), any voting rights controlled by an acquiring party, a person related to an acquiring party, or a person acting in concert with either of them, must not be included in calculating the percentage of voting rights:
- (a) required to be present, or actually present, in determining whether the applicable quorum requirements are satisfied; or
 - (b) required to be voted in support of a resolution, or actually voted in support of the resolution.

- (4A)** In subsection (4), 'act in concert' has the meaning set out in section 117(1)(b).
- (5)** If a resolution requires approval by a court as contemplated in terms of subsection (3)(a), the company must either:
- (a) within 10 business days after the vote, apply to the court for approval, and bear the costs of that application; or
 - (b) treat the resolution as a nullity.
- (6)** On an application contemplated in subsection (3)(b), the court may grant leave only if it is satisfied that the applicant:
- (a) is acting in good faith;
 - (b) appears prepared and able to sustain the proceedings; and
 - (c) has alleged facts which, if proved, would support an order in terms of subsection (7).
- (7)** On reviewing a resolution that is the subject of an application in terms of subsection (5)(a), or after granting leave in terms of subsection (6), the court may set aside the resolution only if:
- (a) the resolution is manifestly unfair to any class of holders of the company's securities; or
 - (b) the vote was materially tainted by conflict of interest, inadequate disclosure, failure to comply with the Act, the Memorandum of Incorporation or any applicable rules of the company, or other significant and material procedural irregularity.
- (8)** The holder of any voting rights in a company is entitled to seek relief in terms of section 164 if that person:
- (a) notified the company in advance of the intention to oppose a special resolution contemplated in this section; and
 - (b) was present at the meeting and voted against that special resolution.
- (9)** If a transaction contemplated in this Part has been approved, any person to whom assets are, or an undertaking is, to be transferred, may apply to a court for an order to effect:
- (a) the transfer of the whole or any part of the undertaking, assets and liabilities of a company contemplated in that transaction;
 - (b) the allotment and appropriation of any shares or similar interests to be allotted or appropriated as a consequence of the transaction;
 - (c) the transfer of shares from one person to another;
 - (d) the dissolution, without winding-up, of a company, as contemplated in the transaction;
 - (e) incidental, consequential and supplemental matters that are necessary for the effectiveness and completion of the transaction; or
 - (f) any other relief that may be necessary or appropriate to give effect to, and properly implement, the amalgamation or merger.

SECTION 164: DISSENTING SHAREHOLDERS' APPRAISAL RIGHTS

- (1) This section does not apply in any circumstances relating to a transaction, agreement or offer pursuant to a business rescue plan that was approved by shareholders of a company, in terms of section 152.
- (2) If a company has given notice to shareholders of a meeting to consider adopting a resolution to:
 - (a) amend its Memorandum of Incorporation by altering the preferences, rights, limitations or other terms of any class of its shares in any manner materially adverse to the rights or interests of holders of that class of shares, as contemplated in section 37(8); or
 - (b) enter into a transaction contemplated in section 112, 113, or 114,that notice must include a statement informing shareholders of their rights under this section.
- (3) At any time before a resolution referred to in subsection (2) is to be voted on, a dissenting shareholder may give the company a written notice objecting to the resolution.
- (4) Within 10 business days after a company has adopted a resolution contemplated in this section, the company must send a notice that the resolution has been adopted to each shareholder who:
 - (a) gave the company a written notice of objection in terms of subsection (3); and
 - (b) has neither:
 - (i) withdrawn that notice; or
 - (ii) voted in support of the resolution.
- (5) A shareholder may demand that the company pay the shareholder the fair value for all of the shares of the company held by that person if:
 - (a) the shareholder:
 - (i) sent the company a notice of objection, subject to subsection (6); and
 - (ii) in the case of an amendment to the company's Memorandum of Incorporation, holds shares of a class that is materially and adversely affected by the amendment;
 - (b) the company has adopted the resolution contemplated in subsection (2); and
 - (c) the shareholder:
 - (i) voted against that resolution; and
 - (ii) has complied with all of the procedural requirements of this section.
- (6) The requirement of subsection (5)(a)(i) does not apply if the company failed to give notice of the meeting, or failed to include in that notice a statement of the shareholders rights under this section.
- (7) A shareholder who satisfies the requirements of subsection (5) may make a demand contemplated in that subsection by delivering a written notice to the company within:
 - (a) 20 business days after receiving a notice under subsection (4); or
 - (b) if the shareholder does not receive a notice under subsection (4), within 20 business days after learning that the resolution has been adopted.
- (8) A demand delivered in terms of subsections (5) to (7) must also be delivered to the Panel, and must state:
 - (a) the shareholder's name and address;
 - (b) the number and class of shares in respect of which the shareholder seeks payment; and
 - (c) a demand for payment of the fair value of those shares.

- (9)** A shareholder who has sent a demand in terms of subsections (5) to (8) has no further rights in respect of those shares, other than to be paid their fair value, unless:
- (a) the shareholder withdraws that demand before the company makes an offer under subsection (11), or allows an offer made by the company to lapse, as contemplated in subsection (12)(b);
 - (b) the company fails to make an offer in accordance with subsection (11) and the shareholder withdraws the demand; or
 - (c) the company, by a subsequent special resolution, revokes the adopted resolution that gave rise to the shareholder's rights under this section.
- (10)** If any of the events contemplated in subsection (9) occur, all of the shareholder's rights in respect of the shares are reinstated without interruption.
- (11)** Within five business days after the later of:
- (a) the day on which the action approved by the resolution is effective;
 - (b) the last day for the receipt of demands in terms of subsection (7)(a); or
 - (c) the day the company received a demand as contemplated in subsection (7)(b), if applicable, the company must send to each shareholder who has sent such a demand a written offer to pay an amount considered by the company's directors to be the fair value of the relevant shares, subject to subsection (16), accompanied by a statement showing how that value was determined.
- (12)** Every offer made under subsection (11):
- (a) in respect of shares of the same class or series must be on the same terms; and
 - (b) lapses if it has not been accepted within 30 business days after it was made.
- (13)** If a shareholder accepts an offer made under subsection (12):
- (a) the shareholder must either in the case of:
 - (i) shares evidenced by certificates, tender the relevant share certificates to the company or the company's transfer agent; or
 - (ii) uncertificated shares, take the steps required in terms of section 53 to direct the transfer of those shares to the company or the company's transfer agent; and
 - (b) the company must pay that shareholder the agreed amount within 10 business days after the shareholder accepted the offer and:
 - (i) tendered the share certificates; or
 - (ii) directed the transfer to the company of uncertificated shares.
- (14)** A shareholder who has made a demand in terms of subsections (5) to (8) may apply to a court to determine a fair value in respect of the shares that were the subject of that demand, and an order requiring the company to pay the shareholder the fair value so determined, if the company has:
- (a) failed to make an offer under subsection (11); or
 - (b) made an offer that the shareholder considers to be inadequate, and that offer has not lapsed.
- (15)** On an application to the court under subsection (14):
- (a) all dissenting shareholders who have not accepted an offer from the company as at the date of the application must be joined as parties and are bound by the decision of the court;
 - (b) the company must notify each affected dissenting shareholder of the date, place and consequences of the application and of their right to participate in the court proceedings; and
 - (c) the court:
 - (i) may determine whether any other person is a dissenting shareholder who should be joined as a party;
 - (ii) must determine a fair value in respect of the shares of all dissenting shareholders, subject to subsection (16);

- (iii) in its discretion may:
 - (aa) appoint one or more appraisers to assist it in determining the fair value in respect of the shares; or
 - (bb) allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective, until the date of payment;
- (iv) may make an appropriate order of costs, having regard to any offer made by the company, and the final determination of the fair value by the court; and
- (v) must make an order requiring:
 - (aa) the dissenting shareholders to either withdraw their respective demands, or to comply with subsection (13)(a); and
 - (bb) the company to pay the fair value in respect of their shares to each dissenting shareholder who complies with subsection (13)(a), subject to any conditions the court considers necessary to ensure that the company fulfils its obligations under this section.

(15A) At any time before the court has made an order contemplated in subsection (15)(c)(v), a dissenting shareholder may accept the offer made by the company in terms of subsection (11), in which case:

- (a) that shareholder must comply with the requirements of subsection 13(a); and
- (b) the company must comply with the requirements of subsection 13(b);

(16) The fair value in respect of any shares must be determined as at the date on which, and time immediately before, the company adopted the resolution that gave rise to a shareholder's rights under this section.

(17) If there are reasonable grounds to believe that compliance by a company with subsection (13)(b), or with a court order in terms of subsection (15)(c)(v)(bb), would result in the company being unable to pay its debts as they fall due and payable for the ensuing 12 months:

- (a) the company may apply to a court for an order varying the company's obligations in terms of the relevant subsection; and
- (b) the court may make an order that:
 - (i) is just and equitable, having regard to the financial circumstances of the company; and
 - (ii) ensures that the person to whom the company owes money in terms of this section is paid at the earliest possible date compatible with the company satisfying its other financial obligations as they fall due and payable.

(18) If the resolution that gave rise to a shareholder's rights under this section authorised the company to amalgamate or merge with one or more other companies, such that the company whose shares are the subject of a demand in terms of this section has ceased to exist, the obligations of that company under this section are obligations of the successor to that company resulting from the amalgamation or merger.

(19) For greater certainty, the making of a demand, tendering of shares and payment by a company to a shareholder in terms of this section do not constitute a distribution by the company, or an acquisition of its shares by the company within the meaning of section 48, and therefore are not subject to:

- (a) the provisions of that section; or
- (b) the application by the company of the solvency and liquidity test set out in section 4.

(20) Except to the extent:

- (a) expressly provided in this section; or
- (b) that the Panel rules otherwise in a particular case,

a payment by a company to a shareholder in terms of this section does not obligate any person to make a comparable offer under section 125 to any other person.



TEXTON

PROPERTY FUND

TEXTON PROPERTY FUND LIMITED

Incorporated in the Republic of South Africa

(Registration number 2005/019302/06)

Share code: TEX ISIN: ZAE000190542

Approved as a REIT by the JSE

("Texton" or "the Company")

NOTICE OF GENERAL MEETING

The definitions and interpretations commencing on page [6] of the circular to which this notice of general meeting is attached, apply *mutatis mutandis* to this notice of general meeting and to the special and ordinary resolutions set out herein.

If you are in any doubt as to what action you should take in respect of the following resolutions, please consult your Central Securities Depository Participant ("CSDP"), broker, banker, attorney, accountant or other professional adviser immediately.

Notice is hereby given that a general meeting of shareholders of the Company will be held at 10:00 on Friday, 28 December 2018 at the registered office of Texton, Block C, Investment Place, 10th Road, Hyde Park, 2196, to consider, and, if deemed fit, to pass, with or without modification, the special and ordinary resolutions set out hereunder.

The Board of Directors of the Company determined that the record date for the purposes of determining which shareholders of the Company are entitled to participate in and vote at the general meeting is Friday, 21 December 2018. Accordingly, the last day to trade in Texton shares in order to be recorded in the Register to be entitled to vote will be Tuesday, 18 December 2018.

SPECIAL RESOLUTION NUMBER 1 – APPROVAL IN TERMS OF THE COMPANIES ACT OF THE DECISION OF THE BOARD THAT THE COMPANY ACQUIRE THE BEE SHARES

"Whereas the Board has resolved that the Company acquire the BEE Shares from either BEE SPV or the PIC for the Repurchase Consideration, in terms of the PIC Put Option Agreement and as further detailed in the circular dated Tuesday, 27 November 2018, subject to:

- approval of such Board decision by way of a special resolution of Texton shareholders entitled to exercise voting rights on the matter passed in terms of section 48(8) read with sections 114 and 115 of the Companies Act; and
- approval of the Repurchase by a special resolution of Texton shareholders entitled to exercise votes on the matter passed in terms of paragraph 5.69 of the Listings Requirements; and
- the Board resolving that it has applied the Solvency and Liquidity Test and has reasonably concluded that the Company will satisfy the Solvency and Liquidity Test immediately after completing the Repurchase.

Resolved that, by way of a specific authority, which shall be valid for a period of six months from the date of the general meeting at which this Special Resolution Number 1 is approved, in terms of section 48(8) read together with section 115 of the Companies Act and the Memorandum of Incorporation of the Company, the decision of the Board to acquire the BEE Shares be and is hereby approved."

Explanatory note

In terms of the Companies Act and the Company's Memorandum of Incorporation, the minimum percentage of voting rights that is required for Special Resolution Number 1 to be adopted is 75% (seventy five percent) of the votes exercised on such special resolution by shareholders present or represented by proxy at the general meeting. The votes of the PIC, BEE SPV, any person related to PIC or BEE SPV, or any person acting in concert with either such party (as defined in the Companies Act) will be excluded both for purposes of determining the number of votes in support of Special Resolution Number 1 and for purposes of determining the requisite quorum in respect thereof.

SPECIAL RESOLUTION NUMBER 2 – APPROVAL OF THE REPURCHASE IN TERMS OF THE LISTINGS REQUIREMENTS

Resolved that, subject to the adoption of Special Resolution Number 1, by way of a specific authority, which shall be valid for a period of six months from the date of the general meeting at which this Special Resolution Number 2 is approved, the acquisition by Texton of 51 858 876 shares from either BEE SPV or the PIC pursuant to the exercise of the PIC Put Option, for an amount equal to the PIC Loan Balance on the date such acquisition is effected (it being recorded that at the date of exercise

of the PIC Put Option, such consideration would amount to *circa* R12,60 per share, and at the last practicable date it would amount to *circa* R12,90 per share), be and is hereby approved in terms of paragraph 5.69(b) of the Listings Requirements.”

Explanatory note

In terms of the Companies Act and the Company’s Memorandum of Incorporation, the minimum percentage of voting rights that is required for Special Resolution Number 2 to be adopted is 75% (seventy five percent) of the votes exercised on such special resolution by shareholders present or represented by proxy at the general meeting.

The votes of the PIC, BEE SPV and the associates of the beneficial owner of the BEE Shares will be excluded in determining the number of votes in support of Special Resolution Number 2. The presence of the PIC, BEE SPV and the associates of the beneficial owner of the BEE Shares will, however, form part of the quorum for purposes of considering the Special Resolution Number 2.

ORDINARY RESOLUTION NUMBER 1 – AUTHORITY GRANTED TO DIRECTORS

“**Resolved that** each director of Texton and the Company Secretary be and is hereby individually authorised to sign all such documents and do all such other things as may be necessary for or incidental to the implementation of the resolutions passed at the general meeting of shareholders of Texton”.

Explanatory note

The adoption of this Ordinary Resolution Number 1 will authorise any director of the Company and the Company Secretary to execute all documents and do all such further acts and things as he may in his discretion consider appropriate to implement and give effect to the resolutions set out in this notice of general meeting.

Ordinary resolutions to be adopted at this general meeting require the support of a simple majority, which is more than 50% of the voting rights exercised on the resolutions.

VOTING AND PROXIES

A shareholder entitled to attend and vote at the general meeting is entitled to appoint a proxy or proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the Company. For the convenience of registered members of the Company, a form of proxy is enclosed herewith.

The attached form of proxy is only to be completed by those shareholders who:

- hold Texton shares in certificated form; or
- are recorded on the electronic sub-register in “own name” dematerialised form.

Shareholders who have dematerialised their shares through a CSDP or broker without “own name” registration and who wish to attend the general meeting, must instruct their CSDP or broker to provide them with the relevant Letter of Representation to attend the general meeting in person or by proxy and vote.

If they do not wish to attend in person or by proxy, they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.

Shareholders who hold dematerialised shares which are registered in their name or if they are the registered holder of certificated shares may attend the general meeting in person, alternatively, they may appoint a proxy or proxies, who need not be a shareholder of the Company to represent them at the general meeting by completing the attached form of proxy in accordance with the instructions it contains. Forms of proxy should be forwarded to reach the Transfer Secretaries, Computershare Investor Services Proprietary Limited, at least 48 hours, excluding Saturdays, Sundays and South African public holidays, before the time of the general meeting. Any form of proxy not delivered by this time may be handed to the Chairperson of the general meeting immediately before the appointed proxy exercises any of the shareholder’s votes at the general meeting.

Kindly note that meeting participants, which includes proxies, are required to provide reasonably satisfactory identification before being entitled to attend or participate in a shareholders’ meeting.

Forms of identification include valid identity documents, driver’s licenses and passports.

By order of the Board

Motif Capital Partners

Company Secretary

Johannesburg
27 November 2018

Registered office

Block C, Investment Place
10th Road
Hyde Park, 2196

Transfer Secretaries

Computershare Investor Services Proprietary Limited
(Registration number 2004/003647/07)
Rosebank Towers
15 Biermann Avenue
Rosebank, 2196
(PO Box 61051, Sandton, 2107)



TEXTON

PROPERTY FUND

TEXTON PROPERTY FUND LIMITED

Incorporated in the Republic of South Africa

(Registration number 2005/019302/06)

Share code: TEX ISIN: ZAE000190542

Approved as a REIT by the JSE

("Texton" or "the Company")

FORM OF PROXY

For use only by shareholders who:

- hold shares in certificated form ("certificated shareholders"); or
- have dematerialised their shares ("dematerialised shareholders") and are registered with "own-name" registration,

at the general meeting of shareholders of the Company to be held at 10:00 on Friday, 28 December 2018 at the registered office of Texton, Block C, Investment Place, 10th Road, Hyde Park, 2196, and any adjournment thereof.

Dematerialised shareholders holding shares other than with "own-name" registration, who wish to attend the general meeting must inform their Central Securities Depository Participant ("CSDP") or broker of their intention to attend the general meeting and request their CSDP or broker to issue them with the relevant Letter of Representation to attend the general meeting in person or by proxy and vote. If they do not wish to attend the general meeting in person or by proxy, they must provide their CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker. **These shareholders must not use this form of proxy.**

I/We

(full name/s in block letters)

of (address)

Telephone work ()

Telephone home ()

Cellphone number ()

E-mail address

being the holder/custodian of

shares of the Company, hereby appoint (see note):

do hereby appoint (refer to note 1 at the end of this proxy form):

1 or failing him/her,

2 or failing him/her,

3 the Chairperson of the general meeting,

as my/our proxy to attend and act for me/us on my/our behalf at the general meeting of the Company convened for purpose of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at each postponement or adjournment thereof, and to vote for and/or against such resolutions, and/or to abstain from voting for and/or against the resolutions, in respect of the shares registered in my/our name in accordance with the following instructions:

	Number of shares		
	For	Against	Abstain
Special Resolution Number 1 Approval of the decision of the Board that the Company acquire the BEE Shares			
Special Resolution Number 2 Approval of the Repurchase in terms of the Listings Requirements			
Ordinary Resolution Number 1 Authority granted to directors			

Please indicate instructions to proxy in the space provided above by the insertion therein of the relevant number of votes exercisable.

A member entitled to attend and vote at the general meeting may appoint one or more proxies to attend and act in his/her stead. A proxy so appointed need not be a member of the Company

Signed at

on

2018

Signature

Assisted by (where applicable)

Each shareholder is entitled to appoint one or more proxies (who need not be a shareholder of the Company) to attend, speak and vote in place of that shareholder at the general meeting.

NOTES TO PROXY

1. Summary of Rights Contained in Section 58 of the Companies Act

In terms of section 58 of the Companies Act:

- a shareholder may, at any time and in accordance with the provisions of section 58 of the Companies Act, appoint any individual (including an individual who is not a shareholder) as a proxy to participate in, and speak and vote at, a shareholders meeting on behalf of such shareholder;
 - a proxy may delegate her or his authority to act on behalf of a shareholder to another person, subject to any restriction set out in the instrument appointing such proxy;
 - irrespective of the form of instrument used to appoint a proxy, the appointment of a proxy is suspended at any time and to the extent that the relevant shareholder chooses to act directly and in person in the exercise of any of such shareholder's rights as a shareholder;
 - any appointment by a shareholder of a proxy is revocable, unless the form of instrument used to appoint such proxy states otherwise;
 - if an appointment of a proxy is revocable, a shareholder may revoke the proxy appointment by: (i) cancelling it in writing, or making a later inconsistent appointment of a proxy and (ii) delivering a copy of the revocation instrument to the proxy and to the company; and
 - a proxy appointed by a shareholder is entitled to exercise, or abstain from exercising, any voting right of such shareholder without direction, except to the extent that the relevant company's memorandum of incorporation, or the instrument appointing the proxy, provides otherwise (see note 7).
2. The form of proxy must only be used by shareholders who hold shares in certificated form or who are recorded on the sub-register in electronic form in "own name".
 3. All other beneficial owners who have dematerialised their shares through a CSDP or broker and wish to attend the general meeting must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.
 4. A shareholder entitled to attend and vote at the general meeting may insert the name of a proxy or the names of two alternate proxies of the shareholder's choice in the space provided, with or without deleting "the Chairperson of the general meeting". The person whose name stands first on the form of proxy and who is present at the general meeting will be entitled to act as proxy to the exclusion of such proxy(ies) whose names follow.
 5. A shareholder is entitled to one vote on a show of hands and, on a poll, one vote in respect of each ordinary share held. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate space provided. If an "X" has been inserted in one of the blocks to a particular resolution, it will indicate the voting of all the shares held by the shareholder concerned. Failure to comply with this will be deemed to authorise the proxy to vote or to abstain from voting at the general meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholder or by the proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or the proxy.
 6. A vote given in terms of an instrument of proxy shall be valid in relation to the general meeting, notwithstanding the death, insanity or other legal disability of the person granting it, or the revocation of the proxy, or the transfer of the shares in respect of which the proxy is given, unless notice as to any of the aforementioned matters shall have been received by the Transfer Secretaries not less than 48 (forty eight) hours before the commencement of the general meeting.
 7. If a shareholder does not indicate on this form of proxy that his/her proxy is to vote in favour of or against any resolution or to abstain from voting, or gives contradictory instructions, or should any further resolution(s) or any amendment(s) which may properly be put before the general meeting be proposed, such proxy shall be entitled to vote as he/she thinks fit.
 8. The Chairperson of the general meeting may reject or accept any form of proxy which is completed and/or received other than in compliance with these notes.
 9. A shareholder's authorisation to the proxy including the Chairperson of the general meeting, to vote on such shareholder's behalf, shall be deemed to include the authority to vote on procedural matters at the general meeting.
 10. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.
 11. Documentary evidence establishing the authority of a person signing the form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the Company's Transfer Secretaries or is waived by the Chairperson of the general meeting.
 12. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by the Transfer Secretaries of the Company.
 13. Where there are joint holders of shares:
 - any one holder may sign the form of proxy;
 - the vote(s) of the senior shareholders (for that purpose seniority will be determined by the order in which the names of shareholders appear in the Company's register of ordinary shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).
 14. Forms of proxy should be lodged with or mailed to Computershare Investor Services Proprietary Limited:

Hand deliveries to: Computershare Investor Services Proprietary Limited Rosebank Towers 15 Biermann Avenue Rosebank 2196	Postal deliveries to: Computershare Investor Services Proprietary Limited PO Box 61051 Marshalltown 2107	Email: proxy@computershare.co.za
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- to be received by no later than 10:00 on Monday, 24 December 2018 (or 48 (forty-eight) hours before any adjournment of the general meeting which date, if necessary, will be notified on SENS) or may be handed to the chairperson of the meeting immediately before the appointed proxy exercises any of the shareholder's votes at the general meeting.
15. A deletion of any printed matter and the completion of any blank space need not be signed or initialled. Any alteration or correction must be signed and not merely initialled.