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

DISPOSAL OF LETTING ENTERPRISE AND OPERATIONAL UPDATE

DISPOSAL OF LETTING ENTERPRISE

1. INTRODUCTION

The Board of Directors of Texton ("**Board**") is pleased to inform shareholders that the Company, through its wholly-owned subsidiary Investage 183 Proprietary Limited ("**Seller**"), has concluded a sale of letting enterprise agreement ("**Sale Agreement**") with Citosolve Investments Proprietary Limited ("**Purchaser**") for the disposal of the letting enterprise conducted by the Seller in respect of "**the Property**" or "**Rynlal**", being ERF 918 of the Lynwood Township in the City of Tshwane Metropolitan Municipality, Gauteng ("**the Letting Enterprise**"), for a purchase consideration of R29.0 million ("**the Disposal**").

2. THE DISPOSAL

2.1 Details of the Property

The Property consists of ERF 918 of the Lynwood Township in the City of Tshwane Metropolitan Municipality, Gauteng together with all buildings and alterations on the Property.

The gross lettable area ("**GLA**") of the Property is 5 882m² and the weighted average rental per square metre is currently R72.03.

2.2 Rationale for the Disposal

Rynlal is a relatively smaller property that comprises 2.06% of Texton's GLA. The disposal of Rynlal is also consistent with Texton's strategic objective of owning quality, income producing properties that would contribute towards reducing the exposure to the office sector through responsible disposal.

2.3 Purchase consideration and effective date

The consideration payable by the Purchaser shall be an amount of R29.0 million in cash payable upon registration of transfer of the Property to the Purchaser. The Purchaser will pay a further amount of R4.0 million as a top up to the purchase price ("**Agterskot Amount**"), which Agterskot Amount must be paid to the Seller within 5 days from the date when the Purchaser or its nominee concludes a lease agreement on an adjacent site for parking purposes.

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

2.4 Conditions precedent to the Disposal

The Disposal is subject to the fulfilment of the condition precedent that by not later than 90 days from the date of signature of the Sale Agreement, the Purchaser is granted a loan in writing of an amount of not less than R29 million, by a registered bank or other financial institution, upon security of a first mortgage bond to be passed over the Property.

The condition precedent above is imposed for the benefit of the Purchaser who is entitled to waive fulfilment of such condition precedent, in whole or in part, on written notice to the Seller prior to the expiry of the relevant time period.

2.5 Details pertaining to the Purchaser

The ultimate beneficial shareholder of the Purchaser is Marcus Susman. The Purchaser is not a related party to Texton.

3. FINANCIAL INFORMATION

The value of the net assets attributable to the Disposal was R43.5 million as at 30 June 2019 (audited) and R43.0 million as at 31 December 2019 (unaudited). The audited profit after tax attributable to Rynlal for the year ended 30 June 2019 was R614 978 and the unaudited profit after tax attributable to Rynlal for the six months ended 31 December 2019 was R1 541 384.

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

4. INDEPENDENT VALUATION OF THE DISPOSAL

A valuation of the Property was performed on 30 June 2019 by Peter Parfitt representing Quadrant Properties Proprietary Limited and Theuns Behrens of Real Insight Proprietary Limited who are independent and are registered as professional valuers in terms of the Property Valuers Profession Act, 2000 (Act 47 of 2000). The Property was valued at an amount of R43.0 million.

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

5. APPLICATION OF THE PROCEEDS OF THE DISPOSAL

The proceeds of the Disposal will be utilised by Texton to reduce debt.

6. CATEGORISATION OF THE DISPOSAL

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

OPERATIONAL UPDATE

Further to the announcement dated 24 March 2020, Texton wishes to further update shareholders of the impact of the Covid-19 pandemic on Texton's operations.

1. COVID-19 FURTHER UPDATE

Texton's property portfolio is split between the United Kingdom and South Africa, with sector exposures to Commercial (50.6%), Industrial (33.3%) and Retail (16.1%).

29% of tenants are classified as providing essential services and have remained fully operational during the lockdown in both geographies. We have collected 80% of our April 2020 total billings in South Africa and as at the date of this announcement, 69% of our May 2020 total billings in South Africa have been collected. In the United Kingdom we have collected 87% for the 2nd quarter ending June 2020 with 97% in April and 96% in May.

We have continued to actively engage with all our tenants to understand the impact of Covid-19 on their businesses, with the view of finding a financially sustainable solution where we are able to collect outstanding amounts which works well for both our tenants and Texton.

During this time, it continues to be a key priority to ensure the security and safety of our buildings and that tenants enjoy the benefit of safeguarding their assets. In order for us to continue with the services provided at the properties, it is essential for us to receive rental payments on the due dates.

We would like to thank our tenants who have honoured the terms of their lease agreements and kept their rental payments up to date during this challenging time.

2. BALANCE SHEET MANAGEMENT

Texton is focused on strengthening its balance sheet, through the sale of non-core assets and the reduction of debt. Texton's loan to value ratio (LTV) was 44.9% at the last reporting date of 31 December 2019. We have paid circa R70million into our banking facilities to reduce borrowings in South Africa since 31 December 2019.

We are in discussions with all our funders to restructure and extend the maturity on our loans, which are progressing well, and we will provide further information on these refinancing activities at a later stage. As part of our balance sheet management Texton closed out a cross currency interest rate derivative in April, which has resulted in reducing Texton's currency risk and further derisking its balance sheet.

Johannesburg
19 May 2020

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