

## **TEXTON PROPERTY FUND LIMITED**

Granted REIT status by the JSE (Incorporated in the Republic of South Africa) (Registration number 2005/019302/06)

JSE share code: TEX ISIN: ZAE000190542

("Texton" or the "Company")

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## **FIRM INTENTION ANNOUNCEMENT: SPECIFIC REPURCHASE**

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### **1. INTRODUCTION**

Reference is made to the cautionary announcement released on SENS on 24 May 2023 wherein shareholders were advised of the proposed repurchase and subsequent delisting of 72 129 048 Texton ordinary shares ("the Repurchase Shares"), representing approximately 19.8% of the total issued Texton shares ("Texton Shares") from the Government Employees Pension Fund, governed by the Government Employees Pension Law of 1996 herein represented by its manager the Public Investment Corporation (SOC) Ltd, a public state-owned company incorporated in accordance with the laws of South Africa ("PIC") at a price of R2.15 per Repurchase Share ("Repurchase Consideration") ("the Repurchase").

A circular to Texton shareholders will be posted on or about Wednesday, 31 May 2023 ("the Circular") regarding the Repurchase which shall include:

- the pro forma financial effects on the financial position of Texton following the implementation of the Repurchase and including the independent reporting accountants' assurance thereon;
- the Independent Expert's Report in respect of the Repurchase; and
- a notice convening the general meeting of Texton Shareholders to consider and if deemed fit approve, the Repurchase ("General Meeting").

The contents of this announcement ("Firm Intention Announcement") constitute a firm intention by Texton to undertake the Repurchase in terms of Chapter 5 of the Companies Act, 2008 (Act 71 of 2008) ("Companies Act") and Chapter 5 of the Companies Regulations, 2011, promulgated under the Companies Act ("Takeover Regulations").

The purpose of this Firm Intention Announcement is to advise Shareholders of the terms and conditions of the Repurchase.

### **2. RATIONALE FOR THE REPURCHASE**

The Repurchase is ultimately to the benefit of Texton shareholders in that the delisting of such shares results in the removal of the Repurchase Shares from the share capital of the Company at an attractive price (i.e. a decrease in the aggregate number of Texton Shares).

The Repurchase is considered an appropriate allocation of capital as the impact of the Repurchase and cancellation of the Repurchase Shares is expected to enhance earnings and net asset value per share.

The reduction in the number of Texton Shares in issue will also have the effect of increasing the holdings of the Company's existing empowerment shareholders, which will have a favourable impact on transformation and empowerment.

### **3. CLASSIFICATION**

As the Repurchase constitutes a repurchase by Texton of more than 5% of the entire issued ordinary share capital of Texton, it is required that the Repurchase be approved and implemented in accordance with sections 48(8), 114 and 115 of the Companies Act as regulated by the Takeover Regulation Panel ("TRP") in terms of section 195 of the Companies Act and paragraph 5.69 of the JSE Limited ("JSE") Listings Requirements.

### **4. TERMS AND CONDITIONS**

The implementation of the Repurchase is subject to the fulfilment of the following conditions precedent on or before 17 July 2023 ("Repurchase Conditions"):

- all resolutions required to implement the Repurchase in terms of section 48(8)(b) and 115(2)(a) of the Companies Act, and paragraphs 5.67(C) and 5.69(b) of the JSE Listings Requirements, have been approved by the requisite majority of Texton shareholders (the "Repurchase Resolution"); and
- all approvals, consents and/or waivers, as may be required in terms of the Companies Act, the Takeover Regulations, the JSE Listings Requirements and any other applicable laws in order for the Repurchase to be implemented, other than the issue of the compliance certificate by the Takeover Regulation Panel in terms of section 119(4)(b) of the Companies Act, have been obtained, provided that if such approval is granted conditionally, this Condition Precedent shall not be regarded as having been fulfilled unless before such date the Company gives notice to the effect that such conditions and terms are acceptable to the Company (in its discretion).

The Repurchase Conditions are not capable of being waived.

In order to comply with Regulation 102(13) of the Takeover Regulations, the PIC and Texton have agreed that notwithstanding the fulfilment of the Repurchase Conditions, the Repurchase shall not be implemented unless and until the TRP has issued a compliance certificate in respect of the Repurchase in terms of section 119(4)(b) of the Companies Act.

The date for fulfilment of any Repurchase Condition may be extended by agreement between Texton and the PIC from time to time as approved by the TRP and the JSE (if and to the extent such approvals are required).

In the event that the Repurchase Conditions are fulfilled and the Repurchase becomes operative and is implemented in accordance with its terms, the Repurchase Shares will be repurchased for the Repurchase Consideration and an application will be made to the JSE for the termination of the listing of the Repurchase Shares on or about Monday, 10 July 2023.

The Repurchase will terminate with immediate effect if all of the Repurchase Conditions have not been fulfilled on or before the relevant date for fulfilment.

### **5. CASH CONFIRMATION**

The Company is required to provide a bank guarantee to the TRP from a South African registered bank unconditionally and irrevocably guaranteeing settlement of the full Repurchase Consideration. The Company has obtained and delivered to the TRP irrevocable unconditional bank guarantees issued by Investec Bank Limited (registration number 1969/004763/06) and the Standard Bank of South Africa Limited (registration number 1962/000738/06) for the full Repurchase Consideration, being R155 077 453.20, in accordance with Regulations 101(7)(b)(vi) and 111(4) of the Companies Regulations.

## **6. INDEPENDENT BOARD**

The Board constituted the Independent Board in accordance with the Companies Act and Takeover Regulations comprising of JR Macey, S Thomas and WC van der Vent (“the Independent Board”).

The Independent Board has appointed Valeo Capital as the independent expert (which meets the requirements set out in section 114(2) of the Companies Act) to advise it on the Repurchase and to compile a report in terms of section 114 of the Companies Act to the Independent Board concerning the Repurchase (“the Independent Expert”).

## **7. INDEPENDENT EXPERT AND FAIR AND REASONABLE OPINION**

The Independent Expert has considered the terms and conditions of the Repurchase and is of the opinion that the terms and conditions of the Repurchase are fair and reasonable to Shareholders (“Independent Expert Report”).

The Independent Expert Report will be included in the Circular to be distributed to Shareholders.

## **8. BOARD OPINION AND RECOMMENDATION**

The Independent Board, taking into account the opinion of the Independent Expert, has considered the terms and conditions of the Repurchase and is of the opinion that the terms and conditions are fair and reasonable to shareholders.

For reasons outlined in paragraph 1 and given the fairness opinions provided by the Independent Expert, the Directors recommend that Texton shareholders vote their Texton Shares in favour of the Repurchase resolution set out in the notice of General Meeting.

## **9. SOLVENCY AND LIQUIDITY TEST**

A resolution has been passed by the Board in terms of section 46 of the Companies Act that having applied the solvency and liquidity test as set out in section 4 of the Companies Act (the “solvency and liquidity test”), it has satisfied itself that at the date of the resolution being passed that it reasonably appears, and it has thus reasonably concluded, that the Company will satisfy the solvency and liquidity test, immediately after implementation of the Repurchase.

Furthermore, in accordance with the JSE Listings Requirements, the Directors, having considered the effect of the Repurchase, consider that there are reasonable grounds for believing that:

- 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 issue of the Circular;
- the assets of the Company and the Group will be in excess of the liabilities of the Company and the Group for a period of 12 months after the date of issue of the Circular. For this purpose, the assets and liabilities have been recognised and measured in accordance with the accounting policies used in the latest audited Group financial statements;
- the ordinary capital and reserves of the Company and the Group shall be adequate for ordinary business purposes for a period of 12 months after the date of issue of the Circular; and
- the working capital of the Company and the Group shall be adequate for ordinary business.

## 10. PRO FORMA FINANCIAL INFORMATION

The Repurchase will be funded out of the Group's available cash resources and/or facilities.

Settlement of the full Repurchase Consideration will be implemented in full in accordance with the terms of the Repurchase without regard to any lien, right of set-off, counterclaim, other analogous right to which the Company may otherwise be, or claim to be, entitled against the PIC.

The table below sets out the pro forma financial effects of the Repurchase on the financial position of Texton, to assist Shareholders in assessing the impact of the Repurchase on, inter alia, the earnings per Share, headline earnings per Share, diluted earnings per Share, diluted headline earnings per Share, net asset value per Share and tangible net asset value per Share ("Pro Forma Financial Information").

The consolidated Pro Forma Financial Information, including the assumptions on which it is based and the financial information from which it has been prepared, is the responsibility of the Board. The consolidated pro forma financial information has been prepared using accounting policies that comply with IFRS and that are consistent with those applied in the unaudited interim consolidated results of Texton for the six month period ended 31 December 2022.

The Pro forma Financial Information has been prepared for illustrative purposes only, based on current information available to management of Texton, in order to provide information about the financial results and position of Texton. Due to its nature, the Pro forma Financial Information may not fairly present Texton's financial position, changes in equity and results of operations or cash flows after the impact of the Repurchase, and are based on the assumptions that:

- i. the Repurchase date is assumed to be 1 July 2022 for the purposes of the statement of profit and loss and other comprehensive income and 31 December 2022 for the purposes of the statement of financial position;
- ii. for the purpose of calculating basic earnings per share, diluted earnings per share, headline earnings per share and diluted headline earnings per share, the Repurchase date is assumed to be 1 July 2022; and
- iii. for the purpose of calculating net asset value per share and net tangible asset value per share, the Repurchase date is assumed to be on 31 December 2022.

The accounting policies of Texton that were applied in the unaudited interim consolidated results for the six month period ended 31 December 2022 have been used in calculating the pro forma financial effects.

	<b>Unaudited results before the Repurchase</b>	<b>Pro forma results after the Repurchase</b>	<b>Change</b>
Basic earnings per Share (cents)	6.69	8.15	22%
Diluted earnings per Share (cents)	6.69	8.15	22%
Headline earnings per Share (cents)	11.05	13.72	24%
Diluted headline earnings per Share (cents)	11.05	13.72	24%
Net asset value per Share (Rand)	6.00	7.06	18%
Net tangible asset value per share (Rand)	6.11	7.20	18%

**Notes and assumptions:**

1. Presents the consolidated statement of profit and loss and other comprehensive income extracted, without adjustment, from Texton's published interim unaudited results for the six-month period ended 31 December 2022.
2. Texton repurchases 72,129,048 Texton Shares held by the PIC reducing the weighted average number of shares by the same amount.
3. Reversal of finance income presents the reduction in finance income on cash and equivalents utilised to fund the Transaction. The interest rate utilised to calculate the finance income reduction is based on the weighted return on cash held in South Africa and denominated in ZAR and cash held in the United Kingdom and denominated in GBP weighted based on the closing interim ZAR and GBP cash balances.
4. Transaction costs of R1,604,000 directly attributable to the repurchase of Texton shares have been recognised as a deduction from equity in terms of IAS 32:35.
5. All adjustments are expected to have a continuing effect.

The TRP provided a dispensation in respect of regulation 106(7)(c)(i) of the Takeover Regulations by:

- allowing Texton to include extracts of the annual financial statements in the Circular, and make complete sets of the annual financial statements available for inspection by Texton Shareholders during normal business hours at the registered offices of the Company and the sponsor and by referring Shareholders to the Texton website where the full sets of annual financial statements can be assessed, viewed and downloaded, as opposed to incorporating complete sets of the annual financial statements in the Circular itself; and
- that the period of the Pro Forma Financial Information be based on the last published interim results for the six month period ended 31 December 2022.

**11. NOTICE OF GENERAL MEETING**

The general meeting of Shareholders will be held electronically at 16:00 on Friday, 30 June 2023 to *inter alia* consider and, if deemed fit, to pass, with or without modification, the Repurchase Resolution ("the General Meeting").

A notice convening the General Meeting forms part of the Circular and sets out the actions required by Shareholders to attend and vote electronically at the General Meeting. Shareholders are referred to the Circular which will contain a summary of the Dissenting Shareholders' Appraisal Rights afforded to Texton Shareholders in terms of the Takeover Regulations.

**12. EXCLUDED SHAREHOLDERS AND VOTING REQUIREMENTS**

The following persons are acting in concert or are presumed to be acting in concert with Texton in terms of the Takeover Regulations:

- the PIC;
- JR Macey, the lead independent non-executive director of Texton; and
- each of the members of a consortium comprising a of Geomer Investments (Pty) Ltd (ultimately owned by MJA Golding and Geomer Trust (Master's reference number IT4895/96)), Oak Tech Trading (Pty) Ltd (owned by Geomer Investments (Pty) Ltd and Kloof Capital South Africa (Pty) Ltd), Rex Trueform Group Ltd (a public company), Oak Tech Properties (Pty) Ltd (owned by Kloof Capital South Africa (Pty) Ltd), Kloof Capital South Africa (Pty) Ltd (in which RA Franco has an indirect beneficial interest), KCSA Investments (Pty) Ltd (owned by Kloof Capital South Africa (Pty) Ltd), Wheatfield Estate Foundation Trust, and Bronwyn Elaine Keene-Young (collectively the "Consortium").

Texton Shares held by the following parties will accordingly be excluded from voting on the Repurchase Resolution:

- the PIC, being the holder of the Repurchase Shares;
- the subsidiary of Texton as the holder of the 31 853 013 Treasury Shares;
- JR Macey, being the indirect holder of 31 925 Texton Shares; and
- the members of the Consortium, collectively holding 175 657 669 Texton Shares.

("the Excluded Shareholders").

The Excluded Shareholders will not be entitled to vote on the Repurchase Resolution. The Excluded Shareholders will accordingly be excluded from the calculation of whether the Repurchase Resolution has been adopted by the requisite majority of Texton Shareholders.

A quorum for the purposes of considering the Repurchase Resolution shall comprise 25% of the total number of votes exercisable by Texton Shareholders, excluding the Excluded Shareholders.

The Repurchase Resolution, as set out in the notice of General Meeting, is subject to the approval of more than 75% of the votes cast by the Shareholders, present in person or represented by proxy at the General Meeting and who are entitled to vote (excluding the Excluded Shareholders) in terms of the Companies Act.

### 13. IRREVOCABLE UNDERTAKINGS

Texton has procured an irrevocable letter of undertaking from the following shareholder to vote in favour of all resolutions required to implement the Repurchase:

Name of Shareholder	Number of shares held directly	Number of shares held indirectly	% of Total Shares Eligible to Vote*
Heriot Investments (Pty) Ltd	54 395 012	0	64.70
<b>Total</b>	<b>54 395 012</b>	<b>0</b>	<b>64.70</b>

\* Based on there being 84 067 373 Texton shares eligible to vote.

### 14. SALIENT DATES

The salient dates and times relating to the Repurchase are as follows:

	2023
Record date for determining which Shareholders are entitled to receive the Circular and notice of General Meeting	Friday, 26 May
Circular posted to Texton Shareholders and notice convening the General Meeting released on SENS on	Wednesday, 31 May
Last day to trade in Texton Shares in order to be recorded in the Register on the Voting Record Date on <sup>3</sup>	Tuesday, 20 June
Voting Record Date to be entitled to attend, participate in and vote at the General Meeting being 16:00 on	Friday, 23 June
Last day for receipt of proxies for the General Meeting by 16:00 on <sup>4</sup>	Wednesday, 28 June
Last date and time for Texton Shareholders to give notice in terms of section 164 of the Companies Act objecting to the Repurchase Resolution approving the Repurchase by 16:00 on	Friday, 30 June

<b>Texton Shareholders' General Meeting to be held electronically at 16:00 on</b>	<b>Friday, 30 June</b>
Results of the General Meeting released on SENS on	Friday, 30 June
Results of the General Meeting published in the press on	Monday, 3 July
<b>If the Repurchase is approved by Shareholders at the General Meeting:</b>	
Last date on which Shareholders who voted against the Special Resolution may require Texton to seek court approval in terms of section 115(3)(a) of the Companies Act, but only if the Special Resolution was opposed by at least 15% of the voting rights exercised thereon	Friday, 7 July
Last date on which Shareholders who voted against the Special Resolution may make application to the court in terms of section 115(3)(b) of the Companies Act for leave to apply for a review of the Repurchase, as the case may be	Friday, 14 July
Last date for Texton to send objecting Shareholders notice of the adoption of the Special Resolution, in terms of section 164(4) of the Companies Act	Friday, 14 July
Last date on which Shareholders who validly exercised their Appraisal Rights in terms of section 164 of the Companies Act to deliver written demand to Texton to pay fair value for their Shares (for purposes of clarity, this demand must be delivered to Texton within 20 Business Days of receipt of the notice of adoption referred to immediately above, or if any Shareholder did not receive such notice, within 20 Business Days of them learning that the Repurchase Resolution had been adopted) on	Friday, 28 July
<b>If no Shareholder exercises their rights in terms of section 115(3)(a) and (b) of the Companies Act, then the following are the anticipated relevant dates and times:</b>	
Compliance certificate anticipated to be received from the TRP on	Monday, 17 July
Finalisation announcement released on SENS on	Monday, 17 July
Finalisation announcement published in the press on	Tuesday, 18 July
Expected implementation date of the Repurchase on or about	Tuesday, 18 July
Delisting application letter lodged with the JSE for the delisting of the Repurchase Shares	Tuesday, 18 July
Expected termination of listing of Repurchase Shares at the commencement of trading on or about	Thursday, 20 July

## Notes

1. All dates and times are local South African times and are subject to change. Any change will be released on SENS and published in the press. Changes may be subject to approval by the JSE and/or TRP, as required.
2. Texton Shareholders should note that as transactions in shares are settled in the electronic settlement system used by Strate, settlement of trades takes place three Business Days after such trade. Therefore, persons who acquire Texton Shares after the voting last day to trade will not be eligible to vote at the General Meeting.
3. If a form of proxy is not received by the time and date shown above or not less than 48 hours before recommencement of any adjourned or postponed meeting, it may be handed to the Chairman of the General Meeting not later than ten minutes before the General Meeting is due to commence or recommence.

## **15. RESPONSIBILITY STATEMENTS**

The Independent Board, collectively and individually, accept responsibility for the accuracy of the information given in this announcement and certify that, to the best of their knowledge and belief, the information contained in this announcement is true, that no facts have been omitted which would make any statement in this announcement false or misleading, that all reasonable enquiries to ascertain such facts have been made and that the announcement contains all information required by law, the Takeover Regulations, and the JSE Listings Requirements.

The Directors of Texton collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this Firm Intention Announcement contains all information required by law and the JSE Listings Requirements.

## **16. WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT**

Shareholders are referred to the cautionary announcement released on SENS on 23 May 2023 and are advised that caution is no longer required to be exercised by Texton Shareholders when dealing in their Texton Shares.

SANDTON  
26 May 2023

Transaction Sponsor: Investec Bank Limited  
Legal advisor: Solaris Law Proprietary Limited  
Independent Expert: Valeo Capital Proprietary Limited  
Reporting Accountant: BDO South Africa Incorporated