

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")

**DISPOSAL OF LOOP STREET, FORETRUST AND CERTAIN SECTIONS OF WALE STREET
CHAMBERS**

1. INTRODUCTION

Shareholders are advised that the board of directors of Texton (the "**Board**") is pleased to announce that the Company (the "**Seller**"), has entered into two separate, non-inter-conditional or related, sale of property agreements with Stonehill Property Group Limited ("**Stonehill**" or the "**Purchaser**") (the "**Agreements**"), on [15] December 2021 ("**Exchange Date**"), to dispose of:

1. Wale Street Chambers ("**Sale Agreement 1**"), which is a non-categorised transaction for JSE Listings Requirements purposes and information provided is voluntary ("**Disposal 1**"); and
2. Foretrust Property and Loop Street Properties ("**Sale Agreement 2**"), categorised as a category 1 transaction in terms of the JSE Listings Requirements and is required to be approved by an ordinary resolution of shareholders of the Company ("**Disposal 2**").

2. DESCRIPTION OF THE PROPERTIES

The properties are known as follows:

1. Sale Agreement 1:

Wale Street Chambers means the various sectional title units, which in total amount to 3 051m²("Disposal 1 Property").

2. Sale Agreement 2:

Foretrust Property has the property details as follows:

- a. Erf 172 Roggebaai, in the City of Cape Town, Cape Division, Province of the Western Cape, measuring 4370 square meters;

Loop Street Properties has the property details as follows:

- a. Erf 1570 Cape Town, in the City of Cape Town, Cape Division, Province of the Western Cape, measuring 35 square meters,
- b. Erf 1571 Cape Town, in the City of Cape Town, Cape Division, Province of the Western Cape, measuring 114 square meters;
- c. Erf 1572 Cape Town, in the City of Cape Town, Cape Division, Province of the Western Cape, measuring 114 square meters;
- d. Erf 1573 Cape Town, in the City of Cape Town, Cape Division, Province of the Western Cape, measuring 102 square meters; and
- e. Erf 1574 Cape Town, in the City of Cape Town, Cape Division, Province of the Western Cape, measuring 101 square meters,

(the "**Disposal 2 Properties**").

(Collectively referred to as the "**Properties**")

An analysis of each property as extracted from the 30 June 2021 annual report is set out below:

Property	Sale Agreement 1	Sale Agreement 2	
	Wale Street Chambers sections	Foretrust Property	Loop Street Properties
Book value R'000 ¹	21 000 ³	340 000	36 000
Location	Western Cape	Western Cape	Western Cape
Sector	Commercial	Commercial	Commercial
Vacancy %	100	2.3	-
Weighted average monthly rental per m ²	n/a	139.67	153.32
Value of net operating profit/(loss) for the year ended 30 June 2021 ² R'000	(614) ³	38 413	3 091
Gross lettable area m ²	3,051	24 925	2 323

3. RATIONALE AND USE OF PROCEEDS

The Properties collectively represent 19% and 22.7% of the South African portfolio's value and net operating income, respectively. The size of the assets results in a disproportionate concentration of the portfolio being invested in one location. The concentration risk is offset by the Properties having strong lease covenant with government tenants and a weighted average lease expiry of 3.7 years.

The Agreements provide Texton with the opportunity to sell the Properties at an attractive price to its current book value and secure a profitable exit. The proceeds of Disposal 1 and Disposal 2 will be utilised to repay debt and further strengthen Texton's balance sheet. In addition, the sale proceeds will provide flexibility for future opportunities to diversify investment into other asset classes which appear attractively priced.

4. SALIENT TERMS

4.1 Sale Agreement 1:

4.1.1 Purchase consideration:

The combined consideration payable for the Wale Street Chambers sections shall be R24 million, excluding VAT, settled in cash.

4.1.2 Conditions Precedent:

Conditions Precedent in respect of Sale Agreement 1 include:

- By no later than 12 April 2022, the Purchaser confirms in writing that it is satisfied with its due diligence investigation undertaken in respect of the Wale Street Chambers sections;
- By no later than 12 April 2022, the Purchaser confirms and provides written confirmation of the leasing terms agreed with the tenants or prospective tenants;

¹ As reported in Texton's audited annual financial statements for the year ended 30 June 2021

² The financial statements were prepared in accordance with the International Financial Reporting Standards and the Companies Act, 2008 (Act 71 of 2008), as amended.

³ Book value and net operating profit/loss as apportioned according to gross lettable area

- By no later than 12 April 2022, the Purchaser provides written irrevocable funding commitments for the aggregate amount equal to the Disposal 1 Purchase Consideration;
- The Seller obtains the consent of the mortgagees in respect of any mortgage bonds registered over any of the Disposal 1 Properties, in relation to the implementation of the disposal and to the cancellation of the mortgage bonds upon transfer; and
- Finalisation of all requisite board approvals.

The Sale Agreement 1 contain standard warranties and undertakings by both the Purchaser and Seller, typical for a transaction of this nature.

4.2 Sale Agreement 2:

4.2.1 Purchase consideration:

In respect of Sale Agreement 2, the purchase consideration payable by the Purchaser for Foretrust Property shall be determined by applying a predetermined yield to the twelve month forward net property income as at the date on which the condition precedents outlined below have been fulfilled or waived. Notwithstanding the foregoing, the Foretrust Property purchase price will not be less than R360 million, excluding VAT.

Additionally, the purchase consideration payable in cash by the Purchaser for the Loop Street Properties shall be R37 million, excluding VAT ("**Disposal 2 Purchase Consideration**").

4.2.2 Conditions Precedent:

Sale Agreement 2 is subject to the following conditions precedents:

- By no later than 12 April 2022, the Purchaser confirms in writing that it is satisfied with its due diligence investigation undertaken in respect of the Foretrust Property and Loop Street Properties;
- By no later than 12 April 2022, the Purchaser confirms and provides written confirmation of the leasing terms agreed with the tenants or prospective tenants;
- By no later than 12 April 2022, the Purchaser provides written irrevocable funding commitments for the aggregate amount equal to the Disposal 2 Purchase Consideration;
- The Seller obtains the consent of the mortgagees in respect of any mortgage bonds registered over any of the Disposal 2 Properties, in relation to the implementation of the disposal and to the cancellation of the mortgage bonds upon transfer;
- JSE Limited and Shareholder approval as outlined in paragraph 4.2.4 below; and
- Finalisation of all requisite board approvals.

The effective date of Disposal 2 will be the date on which all the above condition precedents have been fulfilled and the transfer date will be the date of registration of transfer of ownership of the Disposal 2 Properties.

Sale Agreement 2 contains standard warranties and undertakings by both the Purchaser and Seller, typical for a transaction of this nature.

4.2.3 Independent property valuation

The Foretrust Property was independently valued at 30 June 2021 by Peter Parfit of Quadrant Properties Proprietary Limited, acting in the capacity of external valuer. The value of the property was R340 million as at 30 June 2021.

*(referred to as the "**Independent Property Valuation**").*

The Independent Property Valuations are supported by the Board.

The Loop Street property has not been externally valued as at the date of this announcement. Texton values each property every three year externally, with the remaining properties being valued internally by the Board using the same methodology as the external valuer. At 30 June 2021, the value of the

property was R36 million. An independent property valuation will be performed and will be included in the circular referred to in paragraph 4.2.4 below.

4.2.4 Posting of circular

Sale Agreement 2 has been categorised as a category 1 transaction in terms of the JSE Listings Requirements and is required to be approved by an ordinary resolution of shareholders of the Company.

A circular containing the full details of Disposal 2, including the Independent Property Valuations and notice convening the required general meeting will be posted to shareholders in due course ("**the Circular**").

The salient dates and times for the shareholder's meeting will be announced on the date of posting of the Circular.

17 December 2021

Sandton

Corporate Advisor and Sponsor
Investec Bank Limited