TEXTON

PROPERTY FUND

REVIEWED PROVISIONAL CONDENSED FINANCIAL RESULTS

for the year ended 30 June 2019

KEY METRICS

LIKE-ON-LIKE HELD PORTFOLIO VALUE*
R4,154 billion ↓ **13,2%**
(June 2018: R4,785 billion)
Prior year comparative excludes properties sold in 2018 and the Standard Bank portfolio and Tesco Chobe properties which are under offer.

PORTFOLIO VALUE*
R4,400 billion ↓ **18,6%**
(June 2018: R5,403 billion)

GLA
376 054m² (55 PROPERTIES)** ↓ **2,3%**
(June 2018: 385 042m²) (49 properties)

VACANCIES
9,2% ↑ **1,3%**
(June 2018: 7,9%)

NET ASSET VALUE***
607,89 cents PER SHARE ↓ **7,2%**
(June 2018: 655,15 cents per share)

NATIONAL/LISTED/BLUE CHIP TENANTS (BY GLA)*
69,7% ↑ **5,5%**
(June 2018: 64,2%)

LTV RATIO
47,7% ↑ **5,0%**
(June 2018: 42,7%) (excluding the PIC Put Option)

GROUP INTEREST COVER RATIO
3,8 ↓ **30,9%**
(June 2018: 5,5)

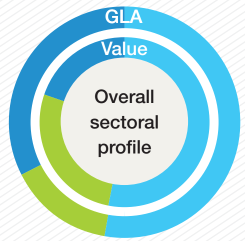
INVESTMENT PROPERTY INCOME
R558,0 million ↓ **4,0%**
(June 2018: R581,2 million)

NET PROPERTY INCOME*
R363,7 million ↓ **12,8%**
(June 2018: R416,9 million)

ARREARS AS A PERCENTAGE OF BILLINGS
2,0% ↓ **2,5%**
(June 2018: 4,5%)

DISTRIBUTABLE EARNINGS PER SHARE
71,37 cents ↓ **20,1%**
(June 2018: 89,31 cents)

* *Including Texton's 50% interest in Broad Street Mall property.*
** *All buildings at Greenstone Hill Office Park have been reflected separately at 30 June 2019 thus increasing the number of buildings owned at Greenstone Hill Office Park to twelve from four in the previous years. Toolquip Selby was split into two properties namely 28 Press Avenue and 42 Press Avenue. Three properties were disposed of during the year.*
*** *Prior year restated.*



Sector	GLA m²	GLA %	Value R'million	Value %
Office	198 380	52,8	2 481	56,4
Retail	55 708	14,8	1 051	23,9
Industrial	121 966	32,4	868	19,7
	376 054	100,0	4 400	100,0

	GLA m²	GLA %	Number of tenants	%
Monthly	4 128	5,4	5	6,9
Retained	62 224	80,8	56	76,7
Vacated	10 622	13,8	12	16,4
	76 974	100,0	73	100,0

	GLA m²	GLA %	Number of tenants	%
Office	39 912	60,2	32	52,4
Retail	11 087	16,7	19	31,2
Industrial	15 353	23,1	10	16,4
	66 352	100,0	61	100,0

Sector	GLA m²	GLA %	Number of deals	%
Office	5 510	19,3	30 deals	63,8
Retail	228	0,8	4 deals	8,5
Industrial	22 862	79,9	13 deals	27,6
	28 600	100,0	47	100,0

* *These new deals relate to the South African portfolio.*

COMMENTARY

Nature of the business

Texton Property Fund Limited ("Texton" or "the Company" or "the Fund") is a Real Estate Investment Trust ("REIT") listed on the JSE Limited that is internally asset managed. It has a portfolio of R4,4 billion of assets with retail, office and industrial exposure located in South Africa ("SA") and the United Kingdom ("UK").

Texton's strategic areas of focus are to rebalance the Fund to achieve consistent property income streams, strong tenant covenants, portfolio optimisation and enhanced total returns to achieve a rerating of the share price. The intention is to selectively reposition the portfolio through the disposal of properties that are considered non-core due to their location, age or property fundamentals.

Texton is committed to achieving the highest possible returns for its shareholders by executing its mandate of achieving growth through diversification.

Distributable earnings and commentary on results

As reported in the half-year results, this financial year has been the toughest in our Company's history and there was little improvement in the six months to June 2019. The property markets across both of our diverse geographies were heavily impacted by various macro-economic environmental factors.

However, rather than dwelling on factors over which we have no control, we remain firmly focused on what we can manage. Texton improved collections, reduced rental arrears and made significant progress in leasing and tenant retention.

In this market, however, securing tenants and protecting our revenue streams is only possible at the cost of rental growth. In addition, tenants across the spectrum are under added pressure from increased operational and utility costs, which are eroding rentals. The resulting rental reversions in our portfolio have, in turn, reduced our property valuations. These reversions and revaluations reflect the incredibly harsh operating environment and weak property market fundamentals. As a small market cap company, Texton is relatively more exposed to the impacts of the difficult operating environment. It would, however, be equally susceptible to any future upturn in the market.

Rental reversions, continued vacancies and longer let-up periods, taken with lower foreign exchange gains and increased funding costs, have resulted in lower distributable income for the 12 months to June 2019.

With this in mind, the Board declares a final dividend of 35,19 (30 June 2018: 41,36) cents per share.

The total dividend for the year amounting to 71,37 cents per share is lower than the dividend for the year ended 30 June 2018 of 89,31 cents per share.

Property portfolio

Key performance indicators

The major focus has been tenant retention and letting vacant space. Texton continued its active drive to fill its vacancies and retain tenants through engagements with our tenants, our broker network, principals and prospective users.

Total portfolio vacancies improved to 9,2% compared to 10,5% at 31 December 2018, 83,6% of leases expiring during the year were renewed, and in the South African portfolio several key leases due to expire at future dates were proactively and defensively renewed early.

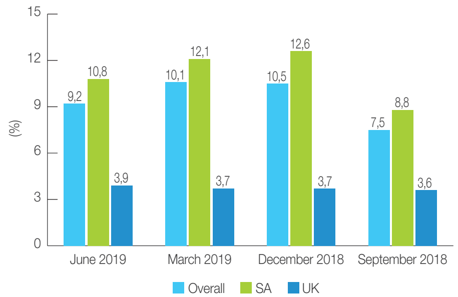
The oversupply of offices, weaker economic performance, and other leasing incentives offered by the larger landlords has made tenant retention and letting up vacancies challenging.

Texton continues to maintain a well-positioned and defensive portfolio underpinned by good properties and strong covenants. The office properties have performed well despite the oversupplied and competitive market. The standing industrial portfolio has largely performed in line with expectations and the retail portfolio has performed remarkably well and enjoys high occupancies across all properties and regions.

There were no acquisitions during the year. The properties classified as held for sale at 30 June 2018 have been transferred and the proceeds have been allocated to reduce debt.

The geographic split of Texton's current portfolio by value is 58,5% (December 2018: 61,8%) located in SA and 41,5% (December 2018: 38,2%) located in the UK (including our portion of Broad Street Mall).

Vacancy analysis



South Africa

Overview

In SA, the weak macro-economic climate continued unabated and was exacerbated by the sustained pressure on South Africa's sovereign credit rating. Concerns regarding the sustainability of Eskom have impacted the retention of South Africa's investment-grade rating as well as the ability to provide sufficient electricity.

The difficult economic climate has placed businesses under increased pressure with more companies consolidating space and even closing which, has worsened the already unfavourable property fundamentals. It is a highly competitive market distinguished by low demand and a general oversupply of space.

GDP dropped by 3,2% in the first quarter of 2019. South Africa's unemployment rate of 29%, announced in July, has reached its highest levels since 2003. Both the International Monetary Fund ("IMF") and South African Reserve Bank ("SARB") have reduced their GDP projections to below 1% indicating that the weak economy is expected to continue for the foreseeable future.

Inflation was at 4,5% to June 2019 indicating that it has been relatively stable since June 2018. This falls within the target range set by SARB of between 3% and 6%. SARB announced a 25 basis points interest rate cut in July 2019 and there has been speculation regarding further interest rate cuts. This is, however, dependent on South Africa retaining an investment-grade rating.

Economic pressure has put further strain on tenants across all sectors and tenants continue to scrutinise rentals and operating costs. The property sector has seen a change in accommodation requirements with tenants reassessing this more regularly and entering into shorter lease terms as well as pushing back on rentals.

The challenges in the property sector include loss of investor confidence, increasing occupancy costs, higher vacancy levels that are expected to continue into the foreseeable future, an oversupply of space and negative rental reversions. The recent spate of public violence is a clear consequence of the difficult economic times we are in.

Performance

In the 12 months from July 2018 to June 2019, Texton successfully concluded 47 new leases with a combined GLA of 28 600m². In the same period, 61 leases were renewed, amounting to 66 352m², which is proof of the success of our focused and proactive approach to tenant retention in a challenging market.

The cost of attracting and retaining tenants in this environment is high. Significant rental reversions, which resulted in the reduction of net property income, were undertaken in order to retain tenancies, improve occupancy levels and extend our average lease length.

During the year, Texton successfully concluded renewals for 13 tenants that were paying above-market rentals occupying a total of 12 390m² and rentals were reverted to market on extended lease terms. This process, while retaining tenants and protecting rental income streams, contributed to a decrease in net property income for the financial year of R6,5 million, however, the average unexpired lease term for each of these tenants was extended by 2,3 years.

The strategic result of leasing and renewal activity is a 16% improvement in Texton's weighted average lease expiry profile to 4,36 years.

Vacancies in the South African portfolio improved to 10,8% (31 113m²) at 30 June 2019 compared to 12,6% (36 451m²) at 31 December 2018.

The industrial vacancy improved substantially to 7,5% from 14,6% at December 2018. This was primarily as a result of significant leasing activity at Hermanstad Business Park, where there is a continued drive to fill vacancies and at 89 Ridder Street. Texton's office vacancies are at 12,2% at 30 June 2019, mainly as a result of several long-standing office vacancies. The retail vacancy increased to 10,7% at June 2019 from 8,6% at December 2018, with the decline being a result of two tenants absconding at Woodmead Commercial Park during the year.

Filling these vacancies remains a key priority for Texton and several commission-based and tenant installation incentives were implemented during the year with some success. The continued vacancies have had a significant impact on the net property income for the year.

The reduction of net property income is as a result of:

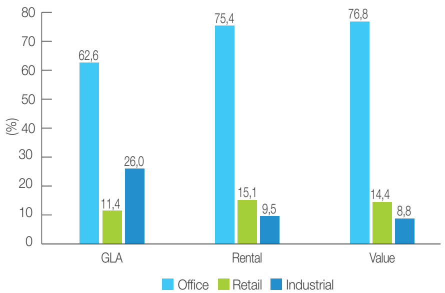
- Rental reversions which secured several significant tenants at Bryanston Gate Office Park and Golddurb;
- Ongoing vacancies at Wale Street Chambers, St Georges Mall and Rynlal; and
- The strategic sale of two non-core properties, where proceeds were used to reduce debt.

The South African portfolio was devalued by 18,5% on a like-for-like basis as a result of the economic erosion and the impact of negative rental reversions.

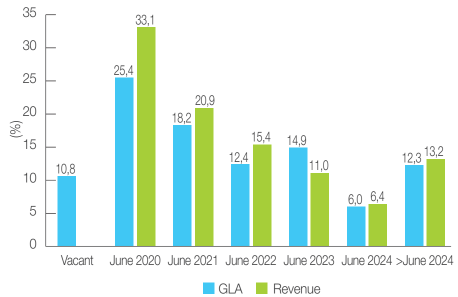
As previously reported, the deadline to finalise long-term leases with the Department of Public Works ("DPW") was extended to 31 March 2019. As at 30 June 2019, DPW had signed the lease at 14 Loop Street with a renewal term of five years. The leases over Foretrust and Lion Roars remain outstanding and Texton continues to proactively engage with all stakeholders and decision makers in this regard. Proposals for three, five and ten-year tenures have been presented and Texton's senior management is actively involved in this process. The intention is to sign all three leases and management is confident that this will be done soon.

The renewal of the majority of leases expiring in the period to June 2020 are well progressed and Texton is expecting the vast majority of these tenants to renew.

South Africa sectoral profile



South African lease expiry



United Kingdom

Overview

The UK economy grew by 0,5% in the first quarter of 2019 but has since stalled in the second quarter. This is mainly due to the boost in the first quarter from Brexit stockpiling and the unwinding of this impact in the second quarter. The GDP outlook for 2020 has been revised downwards to 1,3% due to continued Brexit uncertainty and political upheaval. Inflation forecasts have been revised upwards. The uncertainty regarding Brexit is likely to further devalue the GBP and drive inflation through higher import costs.

Industrial property assets continued to outperform on aggregate and office value growth has been low but positive. The retail sector has experienced a significant decline in capital values driven by a contraction in occupier demand and very limited investor appetite. 26 retailers went into administration in the first half of 2019 versus 45 in 2018 (for the year). A significant shift towards e-commerce and increasing costs have put pressure on the retail sector for both landlords and tenants.

The extension of the Brexit deadline to October has weighed heavily on investment activity. Investment volumes slumped to a six-year low in the second quarter of 2019 at GBP8,8 billion, down 22% from the first quarter and 40% below the five-year quarterly average.

While there remains no shortage of capital in the market targeting long-term secure income, the climate of uncertainty has proven detrimental to some secondary products. Many buyers are cautious around current pricing levels and are adopting a "wait and see" approach in case a disorderly Brexit leads to more attractively priced acquisition opportunities.

The All Property Average Transaction Yield stood at an 11-year low in the final quarter of 2018 and has since moved out over the first two quarters of 2019 by 22 basis points to 5,7%. The outward movement reflects the scarcity of prime secure income stock being traded and an ongoing decline in the retail sector.

The Bank of England recently highlighted the two biggest risks to commercial property market pricing being a reduction in the flow of overseas capital and redemptions from open-ended funds.

Performance

All of Texton's wholly-owned UK assets remain fully let and income producing, contributing strong income returns to the Company.

We continued repositioning the portfolio through the disposal of non-core assets, selling our building (Tesco Chobe) at Quorum Business Park in Newcastle, let to Tesco Bank, for GBP12 million with transfer taking place in July 2019. The proceeds were used to deleverage the Santander loans repayable in February 2020 and significantly de-risk the repayment burden of this tranche of debt. The sale improves the average longevity of the UK income and removes a major lease renewal risk from the portfolio.

Substantial changes in tax legislation in the UK have seen the inclusion of properties held by offshore entities in the Capital Gains Tax regime from April 2019. Texton has taken steps to mitigate the future impact by obtaining valuations to enable the tax base to be stepped up to the April 2019 value on disposal. Additional changes effective 6 April 2020 bring all UK properties within the corporation tax regime. We are exploring various options to optimise the tax position and reduce costs of the offshore structure.

The sale of the Newcastle asset and the aggregate increase in value of our industrial properties means that industrial assets now comprise 61% of the value of our wholly-owned property portfolio in the UK. This will help underpin future performance especially given that 94% of the industrial rental income is subject to guaranteed rental uplifts which are either inflation-linked or based on stepped rents. The industrial properties are let on long-term leases to strong tenants such as DHL, Caterpillar and Coveris for an average lease term of over 11,2 years.

The retail assets declined in value and now comprise 24% of the wholly-owned UK portfolio by value. At a trading level, these three retail assets are still performing well, particularly the Nottingham shops on Lower Parliament Street. Dunelm, our tenant at Carmarthen, is one of the few UK retailers reporting positive growth and increased profits, bucking the wider trends.

Subsequent to the disposal of Tesco Chobe, Texton only has one office asset in Nottingham UK, which accounts for 12,5% of the value of the wholly-owned portfolio. The lease on this property expires in November 2021 and efforts are ongoing to achieve an extension.

The UK property portfolio value decreased by 2,8% (including BSM) on a like-for-like basis. The industrial and office assets in the UK remained relatively stable, with the downward revisions being concentrated in the retail sector.

Broad Street Mall ("BSM")

Positive progress has been made on the asset management of Broad Street Mall which Texton holds within a 50% joint venture. This is an important asset in our portfolio and we are working to unlock its value with several initiatives. The main thrust of the business plan is to diversify the sources of income that the asset generates, reducing the concentration of traditional retail income and introducing alternative uses.

In March 2019, a lease was signed with Premier Inn for a 101-bedroom hotel on a 25-year term (subject to a break at year 20). A resolution to grant planning permission was achieved in July 2019 and the marketing of the development opportunity has since generated very strong interest from institutional investors to fund the development and acquire the completed product. The hotel is now under offer.

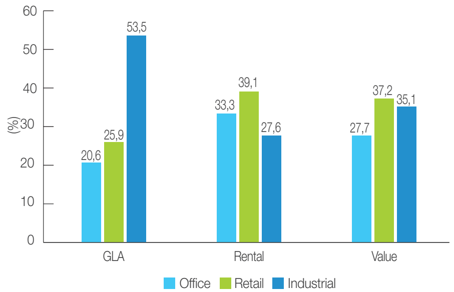
The former Poundland and Stacks units at the rear of the shopping centre are under offer to a food hall operator whose concept includes eight individual "street food" operators and a bar, combined in an indoor setting to bring restaurant quality food in a designed environment that creates a destination. Reading currently does not have a food hall and the offering will create a point of difference in the town. A resolution to grant planning consent for the food hall use was received in June 2019.

The Iceland store opened in June 2019 and its initial trading has been very encouraging. The introduction of a food store to the centre has had a beneficial impact on the western flank of the centre, increasing footfall and enhancing the tenant mix.

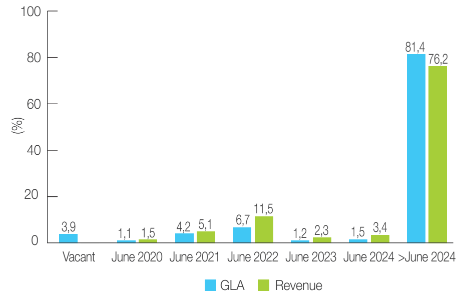
Despite the very challenging occupier environment, leasing deals continue to be agreed. The unit at the main entrance to the shopping centre, formerly occupied by Footlocker, is being split and is under offer to an adjoining tenant and an international fast-food chain. The upper floor of the former Argos space remains under offer to a boutique cinema operator. The deal has taken longer than anticipated to conclude, which is a common feature of the current market, but remains on track and we hope to finalise the legal process imminently.

The planning application for 493 residential units above the shopping centre has not yet been determined. We are now expecting a Reading Council Planning Committee date in November 2019. The delay is related to feedback from the council regarding the proposed design. The issues raised have been addressed apart from the height of the tallest tower and the inclusion of the top three levels is still being debated. We remain confident of a positive outcome.

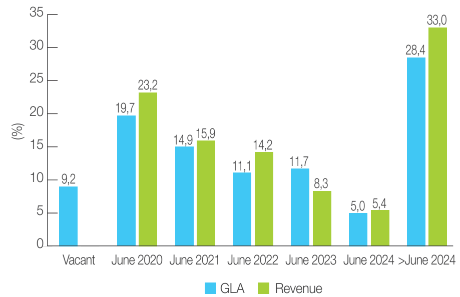
United Kingdom sectoral profile



United Kingdom lease expiry



Overall lease expiry



Lease expiry profile	GLA (%)	Rental (%)
South Africa		
Vacant	10,8	–
June 2020	25,4	33,1
June 2021	18,2	20,9
June 2022	12,4	15,4
June 2023	14,9	11,0
June 2024	6,0	6,4
June >2024	12,3	13,2
	100,0	100,0
United Kingdom		
Vacant	3,9	–
June 2020	1,1	1,5
June 2021	4,2	5,1
June 2022	6,7	11,5
June 2023	1,2	2,3
June 2024	1,5	3,4
June >2024	81,4	76,2
	100,0	100,0
Overall		
Vacant	9,2	–
June 2020	19,7	23,2
June 2021	14,9	15,9
June 2022	11,1	14,2
June 2023	11,7	8,3
June 2024	5,0	5,4
June >2024	28,4	33,0
	100,0	100,0

Greening initiatives

Sustainable business and greening initiatives remain a priority for Texton. As previously reported, various water-saving initiatives were implemented at our properties located in the Western Cape.

The installation of a 432kWh solar plant at Kempstar Mall was completed in December 2018. Significant electricity savings will be realised and allocated to further greening initiatives across the portfolio.

Additional solar plant initiatives are also being investigated throughout the portfolio.

Capital management

Reducing debt and the refinancing drive were both focus areas this year, and while some progress has been made, this has not yet translated to improved numbers.

Texton incurred additional finance costs because of the suspension of its access facility due to the covenant breach previously experienced as a result of the PIC Put Option being exercised.

Texton had debt of R515,6 million expiring during 2019 in relation to its South African operations and was able to roll these facilities with Standard Bank with the new expiry date in the 2021 financial year. There are facilities of R371,9 million in South Africa expiring in the 2020 financial year and we continue to engage with the banks on the refinancing thereof.

In the UK, there is GBP13,1 million expiring in the 2020 financial year. Tesco Chobe transferred in July 2019, and a large portion of the Santander facilities of GBP13,1 million were repaid with the sale proceeds. The refinancing of the remaining GBP1,8 million is well progressed.

We continue to foster and leverage our relationships with the banks in South Africa and the United Kingdom.

The lending environment in South Africa is challenging in the short to medium term. The REIT sector has experienced downward pressure on both rentals and property values, putting pressure on loan-to-value covenants. As a result, financial institutions currently have limited lending appetite particularly where there is not an existing relationship.

The devaluation of the South African portfolio resulted in the, since rectified, breach of loan-to-value covenant with Standard Bank as well as a breach of the loan-to-value covenants with Investec where constructive discussions continue. None of the interest cover ratios were breached during the year and all have sufficient headroom.

The banks condoned the breaches. Standard Bank has agreed to increase the facility loan-to-value covenant percentage. Both of the loan-to-value covenant breaches with Standard Bank were remedied post year-end through the sale of Tesco

Chobe and the subsequent partial repayment of the Standard Bank facility.

In the long term, we aim to diversify our lending portfolio. Texton has commenced the process to migrate from specific security for its South African borrowings to the creation of a security pool under which Texton's South African properties will be bonded to a special purpose vehicle ("SPV") which will issue guarantees against the properties to lenders in proportion to their lending. This will allow for all lenders to have access to all of Texton's South African properties as security thus diversifying their sectoral exposure. It will also allow new lenders easier entrance to providing finance to Texton as the need to identify specific properties for release and re-bonding to the new lender will be eliminated.

Texton's focus is to reduce the loan-to-value ratio to a level below 40% as well as to diversify its lending portfolio in order to reduce concentration risk. Significant focus is the reduction of the cost of debt and the enhancement of treasury management practices.

Debt maturity profile

South Africa

	Facility R'000	Drawn down R'000
June 2020	375 000	371 882
June 2021	921 647	915 434
	1 296 647	**1 287 316**

United Kingdom

	Facility GBP'000	Drawn down GBP'000
June 2020	13 111	13 111
June 2021	10 000	10 000
June 2022	29 952	29 952
Total excluding BSM	**53 063**	**53 063**
BSM*		
June 2020	21 650	21 650
Total including BSM	**74 713**	**74 713**

* *Texton's 50% interest.*

Interest rate swap maturity profile

Expiry	Nominal amount R'000	Nominal amount GBP'000	Fixed rate %
16 May 2020	225 000	–	7,27
2 November 2020	200 000	–	7,19
16 May 2021	225 000	–	7,40
30 June 2021	270 000	–	7,82
12 August 2021	–	20 310	0,50
12 August 2021	–	9 509	1,28
15 February 2022	200 000	–	7,31
24 May 2023	100 000	–	7,23
24 May 2023*	100 000	–	7,39
Total excluding BSM	**1 320 000**	**29 819**	
BSM**			
15 May 2020	–	9 790	1,74
Total including BSM	**1 320 000**	**39 609**	

* *Two-year forward, effective 24 May 2021.*
** *Texton's 50% interest.*

The Board has reaffirmed the interest rate hedging strategy that at least 80% of borrowings must be hedged against interest rate risk. Texton is 93,5% hedged at 30 June 2019.

The Fund has an average cost of debt of 9,33% on its South African debt and 3,25% on its United Kingdom debt.

Currency

The closing exchange rate at 30 June 2019 was R17,87: GBP1 (June 2018: R18,09: GBP1) and the average exchange rate for the year ended 30 June 2019 was R18,37: GBP1 (June 2018: R17,29: GBP1).

Stated capital and shares repurchased

The Group holds 10 428 348 (2018: 10 428 348) treasury shares via Texton Property Fund Limited Share Incentive Scheme Trust. Treasury shares held by Discus House Proprietary Limited, a subsidiary of Texton, amount to 16 243 865 (2018: 16 243 865) shares, bringing the total treasury shares held to 26 672 213 (2018: 26 672 213).

There have been no share buybacks during the year. Only once the loan-to-value levels are in line with the banks' covenant levels with sufficient headroom, will the Board consider potential share buybacks depending on the price, market conditions and timing.

The Company's share structure is in line with Best Practice Recommendations for REITs.

Prospects

Texton's portfolio is defensively positioned in both of the markets in which it operates. We believe the necessary steps have been taken to provide a robust foundation for growth with strengthened leadership, greater stability and a prudent, thoughtful and focused strategic approach that is well suited for its operating environments.

Both the IMF and the SARB have reduced South Africa's GDP growth projections to below 1% indicating further prolonged economic challenges which are expected to continue for the foreseeable future. In addition, any meaningful increase in both investor and consumer confidence and activity will rely heavily on policy certainty and economic improvements. Vacancies in the South African portfolio are expected to increase over the short term, which will result in lower net property income in the 2020 financial year.

In the United Kingdom, the immediate future will be heavily influenced by the Brexit outcome. If a Brexit deal is secured, pent up demand is likely to be released. Encouragingly, Capital Economics is forecasting the economy to return to growth of 2% per annum by 2021 under all Brexit scenarios. Capital Economics is also forecasting continued pressure on UK yields in the short term putting pressure on capital values and resulting in income being the main contributor to total returns.

The low economic growth forecast for SA and continued uncertainty around Brexit, together with increasing costs of tenancy, perpetuate a challenging operating environment for Texton.

We continue to place significant focus on tenant retention and the filling of our vacancies through active asset management.

Texton will further amplify its aggressive disposal process in order to reduce our debt and support our refinancing drive, through the disposal of 14 properties valued at R529,5 million. Treasury management will also benefit from a more prominent focus during the year ahead.

By focusing on fundamentals, we are reinforcing Texton's solid foundations, strengthening our portfolio and balance sheet, and placing ourselves on a more stable footing to take advantage of future opportunities, when they arise. We are confident that we will come through this difficult cycle and emerge in a position of strength.

Texton's distribution for the 2020 financial year is forecast to decrease by approximately 20%. This is based on the assumption that there is no further deterioration in the macro-economic environment, there are no major corporate failures and that tenants are able to absorb the recovery of rising utility costs and municipal rates.

This forecast has not been subject to audit or review by the Company's independent external auditor.

Payment of final dividend

Notice is hereby given of the declaration of a dividend of 35,19 cents per share for the final six-month period to 30 June 2019. The dividend was declared out of income reserves.

Changes to the Board

Texton reconstituted its Board during the year to strengthen its leadership and stabilise its management in accordance with best-practice corporate governance. In compliance with paragraph 3.59 of the JSE Listings Requirements, the Board hereby notifies its shareholders of the following changes which occurred during the period to 30 June 2019:

- Marius Muller was appointed as Chief Executive Officer on 27 November 2018, with an effective start date of 1 March 2019;
- Marcel Golding was appointed as Chairman of the Board on 27 November 2018;
- John Legh, Mathys van Heerden and Trurman Zuma resigned as Non-executive Directors on 27 November 2018;
- Dempsey Naidoo resigned as Chairman of the Board and a Non-executive Director on 27 November 2018;
- Patrick Ntshalintshali retired as a Non-executive Director on 27 November 2018;
- Shelley Thomas was appointed as a Non-executive Director on 29 October 2018;
- Andrew Hannington was appointed as a Non-executive Director on 11 October 2018;
- Nosiphiwo Balfour resigned as Chief Executive Officer on 14 September 2018; and
- Shaheeda Mia resigned as a Non-executive Director on 4 September 2018.

Salient dates

Dividend declaration date	Thursday, 19 September 2019
Last date to trade	Tuesday, 8 October 2019
Ex dividend date	Wednesday, 9 October 2019
Record date	Friday, 11 October 2019
Payment date	Monday, 14 October 2019

Share certificates may not be dematerialised or rematerialised between Wednesday, 9 October 2019 and Friday, 11 October 2019, both dates inclusive.

An announcement informing shareholders of the tax treatment of the dividends will be released on SENS on Thursday, 19 September 2019.

Texton's income tax reference: 9353785158

Issued shares as at Thursday, 19 September 2019: 376 066 766

CONDENSED CONSOLIDATED STATEMENT OF **FINANCIAL POSITION**

at 30 June 2019

	Notes	Reviewed 30 June 2019 R'000	Restated* 30 June 2018 R'000	Restated* 1 July 2017 R'000
Assets				
Non-current assets		3 578 646	4 856 752	5 229 531
Investment property	4.1	3 291 916	4 534 810	4 836 757
Property, plant and equipment		1 911	1 851	2 376
Tenant Installation		11 448	11 908	11 284
Investment in joint venture	4.2	206 094	223 184	239 938
Other non-current assets		9 789	19 370	10 319
Other financial assets		57 488**	32 600	72 565
Restricted cash		–	33 029	56 292
Current assets		911 438	458 857	310 193
Restricted cash		12 782	16 427	5 153
Trade and other receivables	3	43 920	56 169	35 732
Non-current assets classified as held for sale		529 523	272 156	100 750
Other financial assets		–**	6 692	10 299
Income tax receivable		1 228	13 745	3 835
Cash and cash equivalents		323 985	93 668	154 424
Total assets		4 490 084	5 315 609	5 539 724
Equity and liabilities				
Equity		2 123 952	2 289 068	2 716 412
Stated capital		2 842 473	2 257 206	2 263 137
Retained earnings		(504 642)	246 816	723 359
Foreign currency translation reserve		(213 879)	(214 954)	(270 131)
Share-based payment reserve		–	–	47
Liabilities		2 366 132	3 026 541	2 823 312
Non-current liabilities		545 930	384 987	1 383 876
Other financial liabilities	4.4	535 301	374 289	1 365 469
Lease liability		3 326	3 395	3 454
Deferred tax		7 303	7 303	14 953
Current liabilities		1 820 202	2 641 554	1 439 436
Other financial liabilities	4.4	1 720 475	1 898 441	720 742
PIC Put Option liability	4.3	–	642 570	628 967
Trade and other payables		90 318	100 543	89 727
Income tax payable		9 409	–	–
Total equity and liabilities		4 490 084	5 315 609	5 539 724

* *Refer to note 9 for restatements.*

** *Currency Put Options were realised during the year and cross-currency swaps were revalued based on bank valuations.*

CONDENSED CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

for the year ended 30 June 2019

	Notes	Reviewed 30 June 2019 R'000	Restated* 30 June 2018 R'000
Investment property income		558 025	581 192
Straight line rental adjustment		(2 360)	7 721
Property income		555 665	588 913
Property expenses		(191 929)	(171 925)
Net property income		363 736	416 988
Other income		11 000	478
Administrative expenses		(34 223)	(28 270)
Loss from joint venture	4.2	(1 158)	(29 438)
Foreign exchange (losses)/gains		(505)	17 304
Asset management fees		–	(6 139)
Operating profit		338 850	370 923
Finance income		90 535	84 713
Finance costs		(184 198)	(167 016)
Fair value adjustments		(699 524)	(208 423)
Loss on disposal of subsidiary		(9 041)	–
Impairment of investment in joint venture	4.2	(30 418)	(150)
Capital items		(14 350)	(3 806)
Cancellation of asset management contract		–	(180 102)
PIC Put Option recognition adjustment	4.3	–	(13 603)
Loss before tax		(508 146)	(117 464)
Taxation expense		(29 792)	611
Loss for the year		(537 938)	(116 853)
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		1 075	55 177
Total comprehensive loss for the year		(536 863)	(61 676)
Loss and total comprehensive loss for the year attributable to:			
Equity holders		(536 863)	(61 676)

* *Refer to note 9 for restatements.*

CONDENSED CONSOLIDATED STATEMENT OF **CASH FLOWS**

for the year ended 30 June 2019

	Reviewed 30 June 2019 R'000	Restated* 30 June 2018 R'000
Cash flows from operating activities		
Cash generated by operations	**334 834**	199 960
Interest received	**90 535**	84 050
Interest paid	**(167 503)**	(152 530)
Commissions paid**	**(5 751)**	–
Dividends paid	**(270 921)**	(359 690)
Taxation paid	**(7 786)**	(17 026)
Net cash outflow from operating activities	**(26 592)**	(245 236)
Cash outflows from investing activities		
Additions to property, plant and equipment	**(910)**	(515)
Additions to investment property	**(5 474)**	(19 488)
Proceeds on disposal of investment property	**286 398**	87 250
Loans repaid	**332**	272
Funds (advanced to)/received from joint venture	**(18 328)**	2 923
Commissions paid**	**–**	(2 910)
Costs and deposit paid for Equites acquisition	**–**	(10 128)
Tenant installation incurred	**(4 754)**	(5 321)
Net cash outflow from investing activities	**257 264**	52 083
Cash inflows from financing activities		
Treasury shares acquired	**–**	(5 931)
Premiums paid on hedging instruments	**–**	(6 823)
Realisation of currency Put option	**5 853**	–
Proceeds from other financial liabilities	**426 361**	721 822
Repayments of other financial liabilities	**(468 961)**	(593 353)
Lease liability payment	**(474)**	(472)
Net cash inflow from financing activities	**(37 221)**	115 243
Net increase/(decrease) in cash and cash equivalents for the year	**193 451**	(77 910)
Cash and cash equivalents at the beginning of the year	**93 668**	154 424
Effect of exchange rate movement on cash and cash equivalents	**(220)**	5 165
Release of restricted cash	**37 086**	11 989
Cash and cash equivalents at the end of the year	**323 985**	93 668

* *Refer to note 9 for restatements.*

** *Reclassified the current year as an operating activity. The prior year comparatives are shown as financing activities.*

CONDENSED CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

for the year ended 30 June 2019

	Stated capital R'000	Foreign currency translation reserve R'000	Share-based payment reserve R'000	Retained earnings R'000	Total R'000
Group					
Balance at 30 June 2017	2 263 137	(270 131)	47	731 327	2 724 380
Change of accounting policy on investment in joint venture*				(7 968)	(7 968)
Restated balance	2 263 137	(270 131)	47	723 359	2 716 412
Treasury shares acquired	(5 931)				(5 931)
Elimination of share based payments reserve on transfer of liability to new share incentive scheme			(47)		(47)
Total comprehensive income for the year					
– Loss for the year				(116 853)	(116 853)
– Exchange differences on translation of foreign operations		55 177			55 177
Transactions with shareholders recognised directly in equity					
– Dividend paid				(359 690)	(359 690)
Balance at 30 June 2018	**2 257 206**	**(214 954)**	**–**	**246 816**	**2 289 068**
Expected credit losses arising from IFRS 9 application				**98**	**98**
Extinguishment of PIC Put Option liability	**642 570**				**642 570**
Derecognition of PIC Put Option liability	**(57 303)**			**57 303**	**–**
Total comprehensive income for the period					
– Loss for the year				**(537 938)**	**(537 938)**
– Exchange differences on translation of foreign operations		**1 075**			**1 075**
Transactions with shareholders recognised directly in equity					
– Dividend paid				**(270 921)**	**(270 921)**
Balance at 30 June 2019	**2 842 473**	**(213 879)**	**–**	**(504 642)**	**2 123 952**

* *Refer to note 9 for restatements.*

PREPARATION,
ACCOUNTING POLICIES AND REVIEW CONCLUSION

1. Basis of preparation

The condensed provisional reviewed financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements, the requirements of the Companies Act of South Africa, the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 *Interim Financial Reporting*.

The accounting policies applied in the preparation of the condensed consolidated reviewed financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements except for where it has been stated otherwise. None of the new standards, interpretations and amendments effective as of 1 July 2018 have had a material impact on the condensed consolidated reviewed annual financial statements, other than IFRS 9 *Financial Instruments*.

These condensed consolidated reviewed financial statements have been prepared on a going concern basis. All monetary information is presented in the functional currency of the Company, being South African Rand and is rounded to the nearest thousand (R'000).

Significant judgements

The preparation of these financial statements requires management to make judgements, assumptions and estimates that affect amounts reported in the Statement of Comprehensive Income and Balance Sheet. Management consider the change of loan to Joint Venture ("JV") from a financial asset under IFRS 9 to an investment in JV in accordance with IAS 28 (refer to note 9), the IFRS 9 ECL determination, and the valuation of investment property to be a critical judgement because of the level of complexity, judgement or estimation involved and its impact on the financial statements. Full disclosure of the critical judgements, assumptions and estimates is in the respective notes.

2. Preparation of the provisional condensed consolidated reviewed financial statements and auditor's review conclusion

The Directors take full responsibility for the preparation of these condensed consolidated reviewed financial statements. These condensed provisional consolidated reviewed financial statements for the year ended 30 June 2019 have been prepared under the supervision of the Chief Financial Officer, Ms Inge Pick CA(SA).

These provisional condensed consolidated financial statements for the year ended 30 June 2019 have been reviewed by SizweNtsalubaGobodo Grant Thornton ("SNG GT"), who expressed an unmodified review conclusion.

The review conclusion does not necessarily report on all of the information in this announcement. Shareholders are therefore advised that, in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of that report together with the accompanying financial information from Texton's registered address.

3. Significant accounting policies

Adoption of IFRS 9

The adoption of IFRS 9 had the following impact on the Group:

- Change in classification of the measurement categories for financial instruments; and
- Change from IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39") incurred loss model to the expected credit loss ("ECL") model to calculate impairments of financial instruments.

The Group has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of IFRS 9 are recognised in retained earnings.

Initial classification and measurement

IFRS 9 introduces new measurement categories for financial assets.

Management has reviewed and assessed the Group's existing financial assets as at 1 July 2018 based on the facts and circumstances that existed at that date in order to assess the impact of the initial application of IFRS 9 of the classification and measurement of financial assets. The impact is presented in the following table.

	Classification		Measurement		
Financial asset	IAS 39	IFRS 9	IAS 39 R'000	Transitional adjustment (impairment) R'000	IFRS 9 R'000
Other non-current assets	Loans and receivables	Financial asset at amortised cost	19 370	–	19 370
Other financial assets	Fair value through profit and loss	Fair value through profit and loss	39 292	–	39 292
Restricted cash	Loans and receivables	Financial asset at amortised cost	49 456	–	49 456
Trade and other receivables	Loans and receivables	Financial asset at amortised cost	56 169	98	56 267
Cash and cash equivalents	Loans and receivables	Financial asset at amortised cost	93 668	–	93 668
				98	

Impairment

IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

IFRS 9 requires the Group to record ECL on trade receivables, loans, other receivables and cash and cash equivalents.

Trade receivables

The ECL is calculated by applying a loss rate to the outstanding balance of the debtor as at the financial year-end date. The portfolio is segmented into the following risk categories and separate loss rates are derived for each category:

- Region (RSA/UK);
- Type of Debtor (Government, Large Listed, Other);
- Arrears status of the debtor; and
- Where the debtor is in arrears, whether a payment was made in the month immediately preceding the financial year-end, or not.

The loss rate per segment is calculated as the product of the following:

- The probability of default ("PD"), and
- The loss given default ("LGD").

Probability of default

The definition of default that is used is 90 days, or more, in arrears. This definition is, however, applied carefully to certain cases:

- Certain entities, particularly the RSA government, may be slow or irregular payers. A typical arrears or default provision is not necessarily held in such cases;
- The terms of payment with certain entities may be such that payments are due less frequently than monthly.

PREPARATION, ACCOUNTING POLICIES AND REVIEW CONCLUSION continued

Industry statistics that are publicly available from Moody's regarding historical default behaviour is utilised to estimate 12-month PDs for Government entities, Large Listed Corporates and Other (SMEs).

The ECLs on a 12-month and lifetime basis will not differ materiality if applied to the trade receivables book. This is due to the short-term nature of the debt, which is one month's rental income.

Loss given default ("LGD")

The LGD assumptions for debtors that are not in default at the valuation date were set as follows:

- For the "Large Listed" sector, industry statistics were directly applied to set the LGD assumption as this is readily available.
- For the "Other" sector, the LGD assumption was set at a level that is in our experience broadly consistent with past data and market practice on unsecured credit.

The LGD assumptions for debtors in default are set at the same level for those not in default, unless the debtor is material in which case management applies specific LGD assumptions.

Reconciliation of credit loss allowances

Trade receivables

	R'000
Opening balance as previously stated	(8 498)
Adjustments on adoption of IFRS 9	98
Amounts written off	2 344
Allowance created	(2 918)
Closing balance	(8 974)

Cash and cash equivalents

Twelve month expected credit losses are calculated for cash and cash equivalents using the general approach. Cash and cash equivalents are disclosed as current assets, therefore the 12-month and lifetime expected credit losses are expected to be equivalent. In addition, given that these amounts are held with the largest banks, management's expectation is that the impact of the total ECL is negligible.

Hedge accounting

IFRS 9 also includes new requirements for general hedge accounting, however, as Texton does not apply hedge accounting this requirement does not apply.

Investment in and loan to joint venture

The initial adoption of IFRS 9 and the resultant review and reclassification of financial assets, has caused the Group to consider the loan to Inception (Reading) S.a.R.L. to fall outside the scope of IFRS 9. Accordingly, the Group has reclassified its loan to joint venture as an equity interest in joint venture in terms of IAS 28. Refer to note 9 on restatements.

Adoption of IFRS 15

IFRS 15 *Revenue from Contracts with Customers*, is effective for annual periods beginning on or after 1 January 2018, replacing all existing guidance in IFRS related to revenue, including (but not limited to) IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 15 *Agreements for the Construction of Real Estate*.

The adoption of IFRS 15 did not have an impact on the timing of recognition or measurement of revenue and was limited to additional disclosure on the disaggregation of the Group's various revenue streams.

Financial instruments and investment property fair value disclosure

The Group's investment properties are valued internally using the capitalisation of net income method at interim reporting periods and externally by an independent valuer for year-end reporting.

The Group's investment properties were externally valued by independent valuers. In terms of IAS 40 *Investment Property* and IFRS 13 *Fair Value Measurement: Disclosures,* investment properties are measured at fair value and are categorised as level 3 investments.

The revaluation of investment property requires judgement in the determination of future cash flows from leases and an appropriate capitalisation rate.

The effective date of the valuations were 30 June 2019.

The inputs into the valuation model were as follows :

- Discount rates which ranged between 14,5% and 16,75%;
- Exit capitalisation rates which ranged between 9,25% and 12,0%;
- Estimated vacancy rates which ranged between 0,2% and 10,0%; and
- Estimated market rental growth of between 4,0% and 6,0%.

Changes in the capitalisation rate attributable to changes in market conditions can have a significant impact on property valuations. An increase in the capitalisation rate of 0,5% will decrease the value of the portfolio by R131,5 million and a 0,5% decrease will result in an increase of R152,9 million.

In terms of IFRS 9, the Group's currency and interest rate derivatives are measured at fair value through profit or loss and are categorised as level 2 investments.

The fair value of the currency derivatives was an asset of R57,5 million (June 2018: R32,6 million) and the fair value of the interest rate derivative net liability was R14,5 million (June 2018: R7,0 million). These fair values were determined using valuation techniques that present value to the net cash flows. These cash flows are based on observable market data.

The fair values of all financial instruments, interest rate swaps and fixed rate financial liabilities are substantially the same as the carrying amounts reflected on the statement of financial position.

There were no transfers between levels 1, 2 and 3 during the year. The valuation methods applied are consistent with those applied in preparing the previous consolidated annual financial statements.

The Board is not aware of any matters or circumstances arising subsequent to June 2019 that require any additional disclosure or adjustment to the financial statements, other than as discussed in note 6.

4. Reconciliation of material movements

4.1 Investment property

	Reviewed for the year ended 30 June 2019 R'000	Restated* for the year ended 30 June 2018 R'000
Reconciliation of movement in investment property for the year:		
Balance at beginning of year	**4 534 810**	4 836 757
Additions	**5 491**	19 488
Interest capitalised	**–**	663
Straight-line rental adjustment	**(2 360)**	7 721
Fair value adjustments	**(690 671)**	(167 578)
Non-current asset held for sale transferred to investment property	**–**	13 500
Transfer to investment property reclassified as held-for-sale	**(529 523)**	(272 137)
Disposals	**(12 400)**	–
Foreign currency translation reserve	**(13 431)**	96 396
Closing balance at year-end	**3 291 916**	4 534 810

* *Refer to note 9 for restatements.*

4.2 Investment in joint venture

	Reviewed For the year ended 30 June 2019 R'000	Restated* For the year ended 30 June 2018 R'000
Balance at beginning of year	223 184	239 938
Current year loss from joint venture	(1 158)	(29 438)
Advances/(repayments) to joint venture	18 328	(2 923)
Foreign exchange movements	(3 842)	15 757
Impairment of interest in joint venture	(30 418)	(150)
Closing balance at year-end	206 094	223 184

* *Refer to note 9 for restatements.*

4.3 PIC Put Option liability

At a general meeting held on 28 December 2018, the shareholders voted against the repurchase of shares in terms of the Public Investment Corporation SOC Limited ("PIC") Put Option, which was exercised during 2018.

In line with the legal advice received from senior counsel and after having followed the prescribed legal process in terms of the contract, the shareholders' 'no' vote means that Texton is released from its obligation to repurchase shares in terms of the PIC Put Option and accordingly the liability has expired.

4.4 Other financial liabilities

	Reviewed For the year ended 30 June 2019 R'000	Restated* For the year ended 30 June 2018 R'000
Balance at beginning of year	2 272 730	2 086 211
– non-current	374 289	1 365 469
– current	1 898 441	720 742
Advances during the year	426 361	721 822
Repayments during the year	(468 961)	(593 353)
Foreign currency translation reserve movements	(9 386)	44 728
Unrealised foreign exchange movements	(2 259)	8 308
Fair value on interest rate swaps	21 709	(8 412)
Structuring fees amortised during the year	4 091	3 615
Interest accrual	12 199	9 103
Reclassification of share appreciation rights liability	(708)	–
Fair value of share appreciation rights	–	708
Closing balance at year-end	2 255 776	2 272 730
– non-current	535 301	374 289
– current	1 720 475	1 898 441

* *Refer to note 9 for restatements.*

At the end of 2018, the loan facilities were breached due to the exercise of the PIC Put Option.

Subsequent to the resolution of the PIC Put Option in December 2018, the breaches of facility covenants were resolved.

Significant movements during the year:

- Additional funding was received from HSBC during the year amounting to R177 million;
- The sale of Gladstone resulted in a large portion of the Santander facility amounting to R135 million being repaid;
- The Nedbank loan, amounting to R11 million, was settled during the year;
- A net repayment of R40 million was settled against the Standard Bank access facility.
- The prepaid rental relating to Tesco Chobe was released during the year. Tesco Chobe was disposed of on 8 July 2019.

At 30 June 2019, Texton had breached the Group loan-to-value covenants with both Investec and Standard Bank as well as the facility loan-to-value covenant with Standard Bank. None of the interest cover ratios were breached. The breaches arose due to the devaluation of the properties.

The relevant facilities have been classified as current at 30 June 2019.

Both Standard Bank and Investec have condoned the breaches. The Investec Group loan-to-value covenant includes Texton's portion of Broad Street Mall and the related funding thereon. Investec are reconsidering the loan-to-value covenant definition.

Standard Bank has agreed to increase the facility loan-to value covenant to 65%. Refer to note 6 (post balance sheet events) for the remedy of the Standard Bank breach.

The Santander facility of GBP13,1 million expires in the 2020 financial year and has been classified as current at 30 June 2019.

No breaches occurred on the HSBC facilities and the facilities are classified as non-current at 30 June 2019.

5. Going concern

Availability of funding for the Group's activities

Texton's facilities with Santander, Standard Bank and Investec contain a number of covenants including the requirement for the Group LTV to be a maximum of 50%. Due to the devaluation of Texton's investment properties at 30 June 2019, Texton's Group LTV is 50,6% for Standard Bank and 59,2% for Investec and breaches of the loan covenants have occurred. This has resulted in the facilities from Standard Bank and Investec being classified as current liabilities at 30 June 2019. Texton has engaged with the banks and obtained condonements of the breaches. The Standard Bank covenant breaches were rectified post year-end.

A number of solutions have been identified and discussed with the banks in order to remedy the breaches including:

- The application of sales proceeds from the disposal of non-core assets against borrowings; and
- Renegotiation of loan-to-value ratio definitions to be compliant with SA REIT Best Practice Recommendations. This will allow Texton to be comparable to other REITs and will allow cash on hand to be offset against the borrowings.

In South Africa, Texton has facilities of R200 million and R175 million expiring in January and March 2020 respectively. In the UK, the facilities of R234,3 million (GBP13,1 million) expire in February 2020. Management has engaged with the banks regarding the renewal of these facilities.

The refinancing is subject to the following:

- The covenant is restored to the level as set out in the facility agreement;
- The satisfactory completion of due diligence procedures which are customary when reviewing a refinancing transaction;
- Obtaining all internal credit approvals; and
- Being satisfied with the underlying collateral that is presented in support of the refinancing.

Texton has cash and cash equivalents on hand of R324,0 million at 30 June 2019.

PREPARATION, ACCOUNTING POLICIES AND REVIEW CONCLUSION continued

6. Post balance sheet events

Post year-end, on 8 July 2019, Tesco Chobe transferred to the purchaser. This sale reduced the Santander debt outstanding to R30,8 million (GBP1,8 million.) In addition to this, Texton repaid R139,0 million of Standard Bank's facilities. This remedied the Standard Bank breach.

7. Cash generated by operations

	Reviewed For the year ended 30 June 2019 R'000	Restated* For the year ended 30 June 2018 R'000
Loss before tax	(508 146)	(117 464)
Adjusted for:		
Amortisation and depreciation	10 345	9 277
Impairment allowance	(1 505)	1 772
Loss from joint venture	1 499	29 438
Finance income	(90 535)	(84 713)
Straight line adjustment	2 360	(7 721)
Finance costs	184 198	167 016
Fair value adjustments	698 544	207 761
Share-based payment expense	980	662
Unrealised foreign exchange (gains)/loss	2 924	(6 700)
Assets scrapped	176	111
Forfeiture of Equites deposit	10 543	–
Impairment of investment in joint venture	30 077	150
PIC Put Option recognition adjustment	–	13 603
Cash generated before working capital changes	341 460	213 192
Changes in working capital:		
– Decrease/(increase) in trade and other receivables	6 336	(21 625)
– (Decrease)/increase in trade and other payables	(12 962)	8 393
Cash generated by operations	334 834	199 960

* *Refer to note 9 for restatements.*

8. Segmental analysis

	South Africa		United Kingdom		Total	
	Reviewed for the year ended 30 June 2019 R'000	Restated* for the year ended 30 June 2018 R'000	Reviewed for the year ended 30 June 2019 R'000	Restated* for the year ended 30 June 2018 R'000	Reviewed for the year ended 30 June 2019 R'000	Restated* for the year ended 30 June 2018 R'000
Segmental revenue						
Office	334 203	351 336	44 893	55 104	379 096	406 440
Retail	67 536	74 397	26 793	25 297	94 329	99 694
Industrial	39 870	46 993	42 370	35 786	82 240	82 779
	441 609	472 726	114 056	116 187	555 665	588 913
Loss before tax						
Office	(233 853)	170 493	(44 062)	(5 007)	(277 915)	165 486
Retail	(87 651)	42 982	(84 028)	(95 361)	(171 679)	(52 379)
Industrial	(34 454)	14 739	25 624	49 162	(8 830)	63 901
Corporate	(22 805)	(310 465)	(26 917)	15 993	(49 722)	(294 472)
	(378 763)	(82 251)	(129 383)	(35 213)	(508 146)	(117 464)
Total assets						
Office	2 026 031	2 541 199	399 111	736 784	2 425 142	3 277 983
Retail	382 976	474 328	491 248	568 406	874 224	1 042 734
Industrial	237 932	293 825	621 719	614 383	859 651	908 208
Corporate	328 857	85 957	2 210	727	331 067	86 684
	2 975 796	3 395 309	1 514 288	1 920 300	4 490 084	5 315 609
Total liabilities						
Office	51 080	40 883	244 847	318 057	295 927	358 940
Retail	16 728	16 058	208 612	216 899	225 340	232 957
Industrial	9 870	12 517	350 597	273 591	360 467	286 108
Corporate	1 483 949	2 148 536	449	–	1 484 398	2 148 536
	1 561 627	2 217 994	804 505	808 547	2 366 132	3 026 541

* *Refer to note 9 for restatements.*

PREPARATION, ACCOUNTING POLICIES AND REVIEW CONCLUSION continued

9. Change in accounting policy

The application of IFRS 9 requires the assessment of the contractual cash flows and business model under which the financial asset is held. The Board assessed whether Texton would receive contractual cash flows relating to the loan and it was noted that no cash flows from the joint venture have been forecast to be received. As a result of the loan not having contractual cash flows, it falls outside of the ambits of IFRS 9 and within the ambits of IAS 28. The Company thus changed its accounting policy regarding the classification of the loans granted to the JV from being financial assets in the scope of IAS39/IFRS 9 to an equity interest in accordance with IAS 28.

Texton's initial intention was that this would be recoverable as a loan, however, the financial position and performance of the joint venture, together with the subordination of the loan to the external funder, has led to this being reconsidered.

The Company views the loan as part of the net investment in the investee because, although the loan expires in May 2020, the cash settlement of the loan is neither planned nor likely to occur in the foreseeable future. The reclassification as part of the equity interest results in fairer presentation as it better reflects the true nature of the transaction

The investment was assessed for impairment as the joint venture is in a loss-making position and the property has experienced significant devaluations over the past few years. These factors, together with the negative macro-economic impact on the retail sector as a whole and on retail malls specifically, has led to a significant decline in the fair value of the investment.

The opening balance of equity at the beginning of 2017 was adjusted while the comparative amounts were restated accordingly. The effect of the change in accounting policy on the results of 2017 and 2018 was as follows:

	June 2018			June 2017		
	Previously reported R'000	Adjustment R'000	Restated R'000	Previously reported R'000	Adjustment R'000	Restated R'000
Profit/(loss) from joint venture	(47 452)	18 014	(29 438)	(1 613)	17 119	15 506
Finance income	102 727	(18 014)	84 713	97 665	(17 069)	80 596
Impairment of interest in joint venture	–	(150)	(150)	–	(8 018)	(8 018)
Investment in JV	231 302	(8 118)	223 184	247 906	(7 968)	239 938
Retained earnings	254 934	(8 118)	246 816	731 327	(7 968)	723 359
Earnings per share	(33,36)	(0,04)	(33,40)	82,76	(2,27)	80,49
Weighted average number of shares	349 812	–	–	351 633	–	–

10. Headline earnings

	Reviewed 30 June 2019 R'000	Restated* 30 June 2018 R'000
Earnings		
Earnings attributable to shareholders	**(537 938)**	(116 853)
Headline earnings		
Loss attributable to shareholders	**(537 938)**	(116 853)
Revaluation of investment property	**690 671**	167 578
Revaluation of investment property recognised in equity-accounted joint venture	**11 166**	42 862
Impairment of investment in joint venture	**30 418**	150
Headline earnings attributable to shareholders	**194 317**	93 737
Weighted average number of shares in issue ('000)	**349 395**	349 812
Loss per share		
Basic and diluted loss per share (cents)	**(153,96)**	(33,40)
Headline and diluted headline earnings per share (cents)	**55,62**	26,80

* *Refer to note 9 for restatements.*

DISTRIBUTABLE EARNINGS

	For the year ended 30 June 2019	Restated* For the year ended 30 June 2018
Revenue	**558 025**	581 192
Property expenses	**(191 929)**	(171 925)
Loss from joint venture	**(1 158)**	(29 438)
Non-cash items included in loss from joint venture	**11 166**	44 740
Other income	**11 000**	478
Administrative expenses	**(34 223)**	(28 270)
Asset management fees	**–**	(6 139)
Net finance cost	**(93 663)**	(82 303)
– Finance income	**90 535**	84 713
– Finance cost	**(184 198)**	(167 016)
Taxation**	**(18 131)**	(7 039)
Distribution of foreign exchange gain	**8 272**	10 604
Dividends on treasury shares	**19 036**	23 982
Total distribution	**268 395**	335 882
Less: Distribution to shareholders (interim)	**(136 061)**	(180 324)
Available for distribution (final)	**132 334**	155 558

* *Refer to note 9 for restatements.*

** *Taxation excludes CGT paid on the disposal of properties and tax on pre-acquisition profits of subsidiaries.*

SUMMARY OF FINANCIAL PERFORMANCE

	For the year ended 30 June 2019	For the year ended 30 June 2018
Shares in issue and used for dividend calculation ('000)	**349 395**	349 395
Weighted average number of shares in issue ('000)	**349 395**	349 812
Net asset value per share (cents)	**607,89**	655,15
Net tangible asset value less deferred tax per share (cents)	**609,99**	657,24
Basic and diluted loss per share (cents)	**(153,96)**	(33,40)
Headline and diluted earnings per share (cents)	**55,62**	26,80
Dividend per share (cents)	**71,37**	89,31
Share price (cents)	**390,00**	605,00
Loan-to-value ratio (%) (BPR)	**47,7**	55,4
Loan-to-value ratio excluding PIC Put Option (%)	**47,7**	42,7
Cost-to-income ratios		
Gross property cost-to-income ratio (%)	**34,4**	29,6
Net property cost-to-income ratio (%)	**20,4**	14,6
Gross total cost-to-income ratio (%)	**39,9**	36,3
Net total cost-to-income ratio (%)	**28,2**	22,7

CORPORATE **INFORMATION**

Texton Property Fund Limited
Incorporated in the Republic of South Africa
Registration number: 2005/019302/06
A Real Estate Investment Trust, listed on the JSE Limited
JSE share code: TEX
ISIN: ZAE000190542

Physical and registered address
Block C, Investment Place
10th Road, Hyde Park 2196
PO Box 653129, Benmore 2010

Board of directors
M Golding[@] *(Non-executive Chairman)*
MH Muller[$]* *(Chief Executive Officer)*
IF Pick* *(Chief Financial Officer)*
AJ Hannington[^] *(Independent Non-executive)*
JR Macey *(Lead Independent Non-executive)*
S Thomas[#] *(Independent Non-executive)*

* *Executive Director*
[@] *Appointed as Chairman of the Board on 27 November 2018*
[$] *Appointed as Chief Executive Officer on 27 November 2018*
[^] *Appointed as Non-executive Director on 11 October 2018*
[#] *Appointed as Non-executive Director on 29 October 2018*

Company Secretary
Motif Capital Partners
173 Oxford Road
Rosebank
2196

Auditor
SizweNtsalubaGobodo Grant Thornton Inc.
20 Morris Street East
Woodmead 2191

Sponsor
Merchantec Capital
13th Floor, Illovo Point
68 Melville Road, Illovo
PO Box 41480, Craighall 2024

Transfer secretary
Computershare Investor Services Proprietary Limited
Rosebank Towers, 15 Biermann Avenue
Rosebank 2196
PO Box 61051, Marshalltown 2107

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TEXTON

PROPERTY FUND

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