# TEXTON

PROPERTY FUND

## SUMMARISED AUDITED CONSOLIDATED FINANCIAL RESULTS

for the year ended 30 June 2021

# KEY METRICS

### LOAN-TO-VALUE ("LTV") RATIO
**31,8%**

(June 2020: 46,2%)

31,1%

### DISTRIBUTABLE INCOME PER SHARE
**49,09 cents per share**

(June 2020: 33,43 cents per share)

46.8%

### NET ASSET VALUE ("NAV")
**625,88 cents per share**

(June 2020: 584,26 cents per share)

7,12%

### DIVIDEND PER SHARE
**37,47 cents per share**

(June 2020: Nil cents per share)

100%

### PORTFOLIO BY GROSS LETTABLE AREA ("GLA")[1]
**301 307m²**

42 PROPERTIES

(June 2020: 364 356m²)
(53 properties)

17,3%

### CORE PORTFOLIO VACANCIES[2]
**9,4%**

(June 2020: 8,2%)

14,6%

### NET PROPERTY INCOME
**R286,9 million**

(June 2020: R307,8 million)

6,8%

### INVESTMENT PROPERTY INCOME
**R444,4 million**

(June 2020: R521,9 million)

14,8%

### PORTFOLIO VALUE[1]
**R3,599 billion**

(June 2020: R4,476 billion)

19,6%

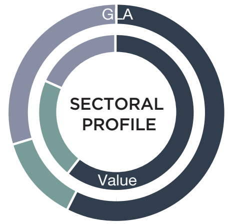
### INTEREST COVER RATIO
**3,1 times**

(June 2020: 2,8 times)

10,7%

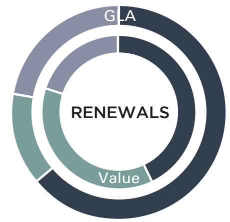
[1] *Includes Texton's 50% share of Broad Street Mall.*

[2] *Core vacancy data excludes properties held for sale for both periods under review. The most significant property vacant at 30 June 2021 is 12 Laub Street (GLA of 27 450m²). This property was previously occupied by Edcon Limited and is not considered core to the portfolio and is included in our assets held for sale at 30 June 2021. Total vacancy for the period increased from 9,2% as at 30 June 2020 to 19,2% predominantly caused by the vacancy at 12 Laub Street. Further detail can be found in the occupancy section of this report.*

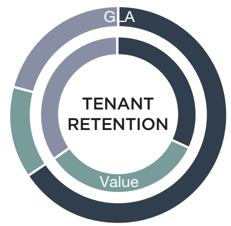



| Sector profile | GLA m² | GLA % | Value R'million | Value % |
|---|---|---|---|---|
| Office | 162 796 | 57,5 | 1 827 | 60,8 |
| Retail | 36 739 | 13,0 | 635 | 21,1 |
| Industrial | 83 397 | 29,5 | 544 | 18,1 |
| | **282 930** | **100,0** | **3 006** | **100,0** |


| New deals | GLA m² | GLA % | Number of tenants % | Number of tenants |
|---|---|---|---|---|
| Office | 9 776 | 39,9 | 53,4 | 39,0 |
| Retail | 6 225 | 25,4 | 26,0 | 19,0 |
| Industrial | 8 527 | 34,7 | 20,6 | 15,0 |
| | **24 528** | **100,0** | **100,0** | **73,0** |




| Renewals | GLA m² | GLA % | No of tenants retained | Number of tenants % | Rental reversion amount R'000 |
|---|---|---|---|---|---|
| Office | 17 535 | 64,1 | 15 | 42,9 | (233) |
| Retail | 3 782 | 13,8 | 13 | 37,1 | (30) |
| Industrial | 6 028 | 22,1 | 7 | 20,0 | (49) |
| | **27 345** | **100,0** | **35** | **100,0** | **(312)** |




| Tenant retention | GLA expired m² | GLA retained m² | Number of tenants retained | GLA retention % |
|---|---|---|---|---|
| Office | 27 177 | 17 535 | 15 | 64,5 |
| Retail | 5 638 | 3 782 | 13 | 67,1 |
| Industrial | 8 610 | 6 028 | 7 | 70,0 |
| | **41 425** | **27 345** | **35** | **66,0** |

*All of the above exclude Broad Street Mall.*

# COMMENTARY

## ABOUT TEXTON

Texton is a JSE-listed Real Estate Investment Trust ("REIT") that offers shareholders access to our property portfolio which aims to deliver long-term income and capital growth. The portfolio is valued at R3,6 billion as at 30 June 2021 (2020: R4,5 billion). Texton remains focused on investing in high-quality properties in centralised nodes in both South Africa ("SA") and the United Kingdom ("UK"). The portfolio includes commercial office, industrial and retail properties, and a 50% portion of Broad Street Mall.

Texton owns 42 (June 2020: 53) properties located in both SA and the UK. The geographic split of the portfolio by value is 61,1% (June 2020: 55,9%) in SA and 38,9% (June 2020: 41,1%) in the UK (including our portion of Broad Street Mall). The portfolio in SA is made up of 74,9% office, 8,4%, industrial and 16,7% retail. The wholly-owned portion of the UK portfolio is made up of 22,3% office, 28,1% retail and 49,5% industrial by value.

## PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021

Our results reflect the company's strong operational focus and hands-on, proactive approach to property asset management. Active risk management has helped Texton protect and strengthen its balance sheet.

Texton has continued to improve the quality of its portfolio, primarily through the sale of non-core assets and by opportunistically selling assets that have attracted pricing in excess of current book values. During the year, Texton disposed of R712,2 million (30 June 2020: R209 million) of property assets, to streamline operations and improve the balance sheet, as a result of these sales the LTV[3] profile improved to 31,8% from 46,2%.

As a result of the improved liquidity in the business, the board of directors of Texton ("the board") is pleased to announce that Texton has declared a dividend for the year ended 30 June 2021. The dividend payable amounts to 37,47 cents per share after applying a pay-out ratio of 76,3%.

## HIGHLIGHTS

### Operational excellence

- Strengthening of the property team by the appointment of a chief operating officer, Jonathan Rens, who was one of the founding executives of Acucap Properties Limited
- Texton has internalised the property management function to enable management to have a direct line of contact with tenants and to enable faster responses to their needs
- Continued to invest in properties in South Africa to defend their value and to reposition assets in response to the 2019 coronavirus disease ("COVID-19") pandemic ("the pandemic")
- Significant work has been undertaken to defend our weighted average lease expiry in SA which has resulted in 43% of our leases by rental value expiring after five years as opposed to just 18,3% as at 30 June 2019
- Record number of new leases signed in SA
- Investments made to increase our solar power supply in the portfolio through the installation of PV systems taking our generating power to 563Kwp and looking to double this output in the coming year.

### Balance sheet strength

- LTV has decreased from 46,2% to 31,8%
- Texton has R360 million of cash on hand and a further R149 million available in our debt facilities
- Reduced our debt by R567,1 million of which R451,9 million is a permanent reduction in debt
- UK properties have significantly increased in value, which has offset the decrease in SA property value, on net basis, the valuation of investment property has remained stable
- Simplified the balance sheet by the removal of GBP debt secured against SA assets and the reduction in the CCIRS.

### Earnings

- Net property income on a like-for-like basis has decreased by 3,3%
- Significant decrease in the cost of debt achieved through the renegotiation of bank loan terms and unwinding of interest rate swaps
- Cost savings in the portfolio have achieved pleasing results as a response to the COVID-19 pandemic many of which will be ongoing
- Collections rate of 98,8% in SA and 100,0% in the UK over the year
- Distributable income per share increased by 46,8% compared to the prior financial year.

### Declaration of a dividend

- Texton has made R128 million available for a distribution as a dividend to shareholders. This represents a pay-out ratio of 76,3% and based on the number of shares (net of treasury shares) amounts to 37,47 cents per share.

### Share buyback

Texton has repurchased 5 294 052 shares in the market at an average price of R2,59, this has been earnings and value accretive to the company.

Texton has continued to repurchase shares post 30 June 2021. A further 2 457 839 shares were purchased at an average price of R3,19 per share.

### Distributable earnings

Total distributable income, for the year ending 30 June 2021 amounted to R167,8 million[4] (30 June 2020: R116,8 million), representing a 43,6% increase in distributable income.

**Calculation of distributable earnings**

| | 30 June 2021 R'000 | 30 June 2020 R'000 | Variance % |
|---|---|---|---|
| Revenue | **444 448** | 521 905 | (14,8) |
| Impairment losses on tenant debtors | **5 010** | (27 595) | 118,2 |
| Property expenses | **(159 832)** | (183 780) | 13,0 |
| Other income | **714** | 4 715 | (84,9) |
| Administrative expenses | **(34 642)** | (38 022) | 8,9 |
| Net finance cost | **(87 662)** | (83 111) | (5,5) |
| – Finance income | **59 006** | 85 780 | (31,2) |
| – Finance cost | **(146 668)** | (168 891) | 13,2 |
| Taxation | **(3 490)** | (29 803) | 88,3 |
| Distribution of realised foreign exchange gain | **3 160** | (47 496) | 106,7 |
| **Total distributable earnings** | **167 706** | 116 813 | 43,6 |
| Distributable income per share (cents) | **49,09** | 33,43 | 46,8 |
| Pay-out ratio adopted for year-end (%) | **76,3** | – | – |
| Dividend payable to shareholders (R'000) | **128 000** | – | – |
| Number of shares in issue net of treasury shares ('000)[5] | **341 624 662** | 349 394 553 | (1,5) |
| Dividend per share (cents) | **37,47** | – | – |

[4] *Before Texton implementing a pay-out ratio.*

[5] *Includes shares repurchased by Texton post 30 June 2021.*

[3] *LTV is calculated based on SA REIT Best Practice Recommendations ("BPR") 2019 second edition.*

## Property income analysis

**Net property income per region and sector**

| | 30 June 2021 Rm | 30 June 2020 Rm | Variances % |
|---|---|---|---|
| **Investment property income** | **444,4** | 521,9 | (14,8) |
| SA | **372,4** | 435,6 | (14,5) |
| Office | **276,0** | 331,6 | (16,8) |
| Industrial | **34,9** | 41,2 | (15,3) |
| Retail | **61,5** | 62,8 | (2,1) |
| UK | **72,0** | 86,3 | (16,6) |
| Office | **5,7** | 14,8 | (61,5) |
| Industrial | **42,8** | 42,2 | 1,4 |
| Retail | **23,5** | 29,3 | (19,8) |
| **Property expenses** | **(154,8)** | (211,4) | (26,8) |
| SA | **(150,8)** | (207,2) | 27,2 |
| Office | **(102,6)** | (156,4) | 34,4 |
| Industrial | **(22,5)** | (19,3) | (16,6) |
| Retail | **(25,7)** | (31,5) | 18,4 |
| UK | **(4,0)** | (4,2) | 4,8 |
| Office | **(0,3)** | (0,9) | 66,7 |
| Industrial | **(1,5)** | (1,6) | 6,3 |
| Retail | **(2,2)** | (1,7) | (29,4) |
| **Net property income (excluding the straight-line rental adjustment)** | **289,6** | 310,5 | (6,7) |

Texton's **overall investment property income** decreased by 14,8% to R444,4 million, driven by the sale of buildings; negative rental reversions on renewal of leases to retain tenants; and increased vacancies in the SA portfolio. On a like-for-like basis[6], the investment property income decreased by 10,3% as a result of the increased vacancies in the office portfolio, a strengthening of the exchange rate and reversions on rentals given to retain tenants over the year.

The **SA investment property income** decreased by 14,5%; Texton's portfolio is heavily weighted towards the office sector and the group has seen this sector come under significant pressure by an oversupply of property and increased competition to attract tenants with very low rentals. The combination of these factors has resulted in the SA portfolio vacancies increasing and rentals decreasing to both attract and retain tenants. On a like-for-like basis[6], investment property income decreased by 10,1%. Further detail on the SA portfolio is provided in the SA net income analysis.

[6] *Excluding assets that were sold during the period under review.*

The **overall UK property income** decreased by 16,5% due to the loss of income because of the sale of properties during the year and the strengthening of the South African Rand against the Great British Pound. On a like-for-like basis, rental was stable year-on-year in our industrial and retail portfolio, but significantly lower on our single office building, Mowbray House, due to a rental incentive provided for the first year of a new five-year lease, which runs until December 2026. The new lease increases the value of the property and helped the company in being able to market it for sale.

**Property expenses** decreased by 26,5% as a result of cost controls and the sale of assets. On a like-for-like basis[7], **property expenses** decreased by 19,7%. The majority of these savings were achieved in SA and is a combination of tighter cost controls, improvement in our rent collections which reduced our bad debt and tenants, specifically in our office portfolio, not using utilities as much as in the past due to tenants working from home where possible as a result of COVID-19.

The combined effects of the above resulted in the overall basis **net property income** being 6,7% lower than last year and 3,3% on a like-for-like basis[7].

**Administration expenses** decreased by 8,9% to R34,6 million due to tight cost controls implemented in the business and rationalisation of service providers used. Management is acutely aware of the fact that Texton needs to retain extreme cost control measures in the business until the economy improves. As Texton has internalised its property management function, the company will be able to maximise cost synergies from a head office administrative perspective.

**Net finance costs** increased by 5,5% as a result of a decrease in **finance income** by 31,2% due to the closeout and reduction in the CCIRS that Texton had on its balance sheet. The loss of finance income from the CCIRS has affected Texton's earnings, however, when one weighs up the risks associated with these instruments, Texton believes that decreasing the exposure to these instruments will, in the long run, provide Texton with a stronger balance sheet. **Finance expenses** have decreased by 13,2% largely due to the repayment of debt from the sale of properties and the reduction in Texton's exposure to the interest rate swaps.

To derisk the balance sheet from currency movements, Texton converted a £7,5 million loan secured against South African assets into Rand debt. The average rate of the conversion to Rand was R21,07, which was 44 cents lower than the prior year-end exchange rate of R21,52.

Texton's exposure to its CCIRS was reduced by £7,5 million in December 2020 at a positive mark-to-market of R650 000. The remaining capital exposure on the CCIRS was hedged at a closeout rate of R19,55, which resulted in Texton no longer being exposed to currency movements on the closeout of the CCIRS on 2 September 2021.

A net foreign exchange loss of R414 000 was recognised over the year. The closing exchange rate as of 30 June 2021 was R19,76 (30 June 2020: R21,52) and the average exchange rate over the year was R20,71 (30 June 2020: R19,76).

# PROPERTY PORTFOLIO

## South Africa

### Operating context

The South African property sector continues to remain a challenging environment in which to operate. The impact of the ongoing COVID-19 pandemic; the increased frequency of load shedding; the above-inflation municipal rates increases; the oversupply in the office sector, especially in Gauteng, where the majority of Texton's office portfolio is located; and the recent social unrest will place SA property under continued pressure for the foreseeable future.

Texton's portfolio in SA is heavily weighted towards the office sector. This sector has suffered the most since the beginning of the COVID-19 pandemic as corporates consolidated their premises, business failed to survive the economic fallout from the pandemic and the remote working environment as a result of government measures put in place to control the spread of the pandemic. Texton's core office vacancy in SA has increased to 16,9%, which is in excess of the South African Property Owners Association national average for office vacancies of 15%.

[7] *Excluding assets that were sold during the period under review.*

The office sector remains under pressure and will remain under pressure for the medium term. Texton does not believe that the office sector is "dead", rather Texton's belief is that demand for offices will return sooner than expected. However, office requirements are expected to change, as tenants will require space that offers them flexibility, lower densities, upgraded digital infrastructure, good transport links and quality amenities.

Texton has limited exposure to retail and industrial properties in SA. Texton's retail assets and industrial assets have performed well over the year under review, with assets trading with minimal vacancies and demand for new lets has been pleasing.

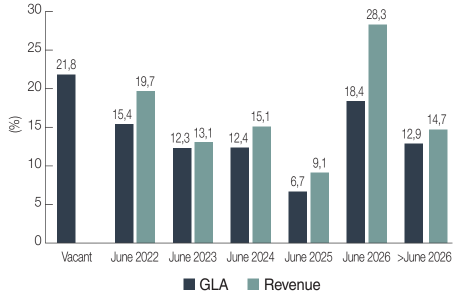
The effects of the pandemic continue to negatively impact the economy, business confidence and household spending. Property is directly linked to the economy and until the macro-economic environment in South Africa improves, property will remain under pressure. Texton has used the pandemic as an opportunity to re-install the fundamental focus of its business by placing its tenants at the centre of all business activities and decisions. Throughout the pandemic, Texton has focused on tenant engagement – by collaborating with them to sustain their business through the different levels of lockdown. The internalisation of the property management function will enable management to have a direct line of contact with tenants enabling us to respond to tenants' requests and their ever-changing requirements.

**Civil unrest**

One of Texton's properties was impacted by the recent civil unrest in KwaZulu-Natal. The Durban CBD property was looted and suffered minor physical damage to its shopfronts. Repairs to the property were undertaken immediately once calm was restored to the area. All retailers occupying the space were trading before the end of July 2021. Texton has SASRIA insurance in place to cover the damages and discussions with insurers are under way to recover damages and lost rental.

**Performance**

*South African lease expiry profile*




*The SA portfolio sectoral profile*

| | June 2021 | | June 2020 | |
|---|---|---|---|---|
| Sector | GLA % | Value % | GLA % | Value % |
| Office | **63,1** | **74,9** | 62,4 | 76,7 |
| Retail | **12,3** | **16,7** | 11,4 | 14,7 |
| Industrial | **24,6** | **8,4** | 26,2 | 8,6 |
| | **100,0** | **100,0** | 100,0 | 100,0 |

Texton's focus remains firmly on retaining and supporting tenants, filling vacancies, repurposing vacant office space into more relevant spaces for tenants, cost control and disposals of non-core assets.

*GLA reconciliation*

| | GLA m² |
|---|---|
| Balance at 30 June 2020 | **285 308** |
| Disposals | **(32 983)** |
| Re-measurements | **(2 997)** |
| **Balance as at 30 June 2021** | **249 328** |

**Vacancy and letting**

Total vacant GLA amounted to 54 350m² (June 2020: 36 246m²); this represents a decrease of 1 330m² since the interim reporting period and amounts to a total vacancy of 21,8% which shows that the overall vacancy in our SA portfolio has stabilised since December 2020, but remains significantly higher compared to 12,7% at 30 June 2020.

The major cause of this increase in vacancy is due to Edcon Limited being placed under business rescue and, as a result, vacated 12 Laub Street on 1 November 2020. 12 Laub Street has a GLA of 27 450m², the building is considered non-core, and post year-end Texton entered into an agreement of sale for the building, subject to certain conditions which are usual for a property transaction.

**Core vacancy analysis**

*Excluding buildings held for sale on 30 June 2021*

| Sector | 30 June 2021 GLA m² | 31 December 2020 GLA m² | 30 June 2020 GLA m² |
|---|---|---|---|
| Total vacancy | **54 350** | 55 680 | 36 246 |
| Properties held for sale | **(32 221)** | (35 778) | (17 606) |
| Core vacancy | **22 129** | 19 902 | 18 640 |
| Core GLA | **210 691** | 209 817 | 226 403 |
| Core vacancy (%) | **10,5** | 9,5 | 8,2 |

**Letting activity**

Texton successfully concluded 73 (FY2020: 36) new leases with a combined GLA of 24 528m² (FY2020: 11 104m²).

The ability to renew existing office tenant leases in the current environment has proven to be particularly challenging as users are still trying to navigate the long-term effects of the pandemic on their business. Texton successfully renewed 27 345m² (FY2020: 57 197m²) or 66,0% (FY2020: 89,7%) of the GLA that expired in the current year.

As disclosed in the interim results, the lease with Transnet Ports Authority ("TNPA") which occupy premises at 30 Wellington Road, expired on 31 August 2020. Due to delays caused by the pandemic, Texton has been unable to formally agree on an extension to the property lease. The lease remained on a month-to-month basis. TNPA has informed Texton that they will not continue their lease at this premise from 1 September 2021.

Texton's focused hands-on letting and renewal activity over the year has resulted in the WALE of the SA portfolio remaining constant at 3,20 years (3,16: 30 June 2020).

### Rental collections

Texton's rental collection has remained robust over the year. Texton has remained agile in its management of tenants, finding pragmatic solutions to balance the needs of the tenant with that of the landlord. The management team engages directly with tenants on a daily basis, resulting in a much-improved tenant-landlord relationship.

Rental collections across the portfolio was 98,8% (FY2020: 94,4%) for the year ended 30 June 2021.

*Rental collections per sector*

| | % of collections received | | |
|---|---|---|---|
| **Sector** | **H1 2021** | **H2 2021** | **FY 2021** |
| Office | 98,5 | 99,6 | **99,0** |
| Industrial | 97,9 | 99,5 | **97,6** |
| Retail | 96,5 | 100,6 | **98,5** |
| **Total** | 98,1 | 99,5 | **98,8** |

Collections since year-end have remained resilient at 98,9%. Texton is hopeful that the company will be able to maintain this level for the remainder of the year.

### Debt and rental relief

Texton did not experience any further significant tenant failures during the year. Pleasingly, the majority of rental deferrals granted were collected during the year under review. The group has invested a significant amount of time to understand its tenants and their businesses.

### Net property income

*Net property income year-on-year*

| | Office Rm | Retail Rm | Industrial Rm | Total Rm |
|---|---|---|---|---|
| **30 June 2021** | | | | |
| Investment property income | **276,0** | **61,5** | **34,9** | **372,4** |
| Property expenses | **(107,4)** | **(22,7)** | **(20,3)** | **(150,4)** |
| Net property income | **168,6** | **38,8** | **14,6** | **222,0** |
| Gross cost to income ratio | **38,9** | **36,9** | **58,2** | **40,4** |
| Net cost to income ratio | **25,9** | **21,1** | **40,6** | **26,4** |
| **30 June 2020** | | | | |
| Investment property income | 331,6 | 62,8 | 41,2 | 435,6 |
| Property expenses | (156,4) | (31,5) | (19,3) | (207,2) |
| Net property income | 175,2 | 31,3 | 21,9 | 228,4 |
| Gross cost to income ratio | 47,2 | 50,2 | 46,8 | 47,6 |
| Net cost to income ratio | 22,0 | 40,7 | 25,0 | 32,8 |

*Office sector*

Income has declined on a total basis by R55,6 million as compared to the same period last year, due to a combination of income lost on properties sold during the year, negative rental revisions on the renewals of expiring leases and most significantly the increase in vacancy in our portfolio.

The drop in income has been offset by a decrease in property expenses on a total basis by R49,0 million. The decrease is as a result of Texton holding a reduced number of properties over the year, a decrease in tenants using utilities as a result of tenants adopting a work from home approach, a reduction in bad debts and an intense cost saving exercise undertaken at our properties to reduce cost.

While Texton is positive that office vacancies should now start to improve over the next two years, we still expect office vacancies to increase over the next 12 months, until tenants fully understand their office needs post the pandemic. This will place additional pressure on office portfolio earnings.

*Retail sector*

Income has remained largely stable year-on-year as our tenants have benefited from the rental reversions, discounts and incentives provided last year to help them through the initial hard lockdown initiated by the South African government to stem the infection rate caused by the COVID-19 pandemic.

As disclosed in our interim account, enhanced relationships with brokers have resulted in improved occupancy rates in our portfolio and we expect income to grow next year. Our expenses have decreased by R8,8 million as a result of cost management, a significant improvement in collections which has decreased our bad debts and the installation of a solar power system at our Woodmead property.

*Industrial sector*

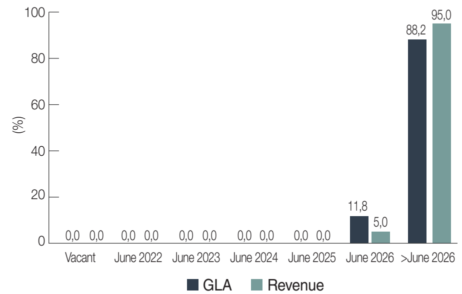
Income declined by R6,3 million as a result of loss of income to due to the sale of properties in our industrial portfolio. On a like-for-like basis, our industrial property portfolio was down 3,1% or R1 million due to lower occupancy levels at our Alrode Industrial Park property during the first half of the year. This property is fully let at 30 June 2021. Property expenses were largely stable year on year.

## United Kingdom

**The UK portfolio sectoral profile**

| | June 2021 | | June 2020 | |
|---|---|---|---|---|
| **Sector** | **GLA %** | **Value %** | **GLA %** | **Value %** |
| Office | **5 360** | **22,3** | 5 360 | 15,0 |
| Retail | **6 254** | **28,1** | 11 952 | 27,4 |
| Industrial | **21 989** | **49,5** | 43 322 | 57,6 |
| | **33 603** | **100,0** | 60 634 | 100,0 |

*UK expiry profile*




### Overview and market background

The UK economy returned to growth in the fourth quarter of the year as COVID-19 restrictions have gradually been eased, the recovery has, however, been disrupted by the growth of the delta variant and mass requirements to self-isolate. GDP grew 2,1% in April and 0,7% in May.

Momentum is expected to continue into the first half of the 2022 financial year and the economy is on course to reach its pre-pandemic level by mid-2022. Driven by surging fuel costs and price hikes from reopening businesses, inflation has risen in recent months, CPI inflation hitting a three-year high of 2,5% in June. Inflation is widely expected to move back to target levels and therefore monetary policy is likely to prioritise growth with interest rate rises only expected next year.

Investment volumes in the commercial property market have rebounded strongly. Demand for industrial property remains relentless, activity is also starting to recover in the retail sector. Retail warehouse volumes reached a four-year high of £855 million and 11 shopping centres were traded in the second half of the 2021 financial year.

**Wholly-owned portfolio**

The UK portfolio has continued to perform well, delivering strong income and capital returns.

Two sales of the Nottingham Poundland store and the DHL warehouse at Tickhill, Doncaster were completed in January 2021, returning cash to the balance sheet. This cash is now available for redeployment into properties with asset enhancement potential and for targeting properties set to outperform as the market recovers from the pandemic and structural change continues to impact the market. The sale of the DHL property at a significant premium above the prior year valuation due to the increased demand for industrial space as a result of the pandemic, this has enabled the deleveraging of the remaining assets.

Positive progress has been made with the planned disposal of Mowbray House, the office property in Nottingham let to Browne Jacobson. A collaboration agreement was signed in May with the neighbouring landlord who owns the remaining six buildings on the Castle Meadow Estate. The agreement provides for the joint marketing and proposed sale of the entire estate. The marketing campaign has been well received, attracting interest from a wide range of developers, investors and occupiers. A successful outcome is expected in the first half of the 2022 financial year.

The six wholly-owned UK assets held at the end of the financial year have achieved valuation uplifts, delivering robust capital returns. The aggregate capital value increased from £36,03 million to £40,85 million, an average increase of 13,4%.

The income returns from the portfolio have been exceptionally strong. All rent has been collected during the financial year, reflecting the strength of the tenant covenants and the resilience of tenant businesses during the pandemic. The portfolio is 100% let, with a WALE of 8,78 years. Our properties have seen strong rental increases when leases have been up for rent review, our most recent property rent renewal achieved a 20% uplift in rental.

**Broad Street Mall**

Broad Street Mall comprises a community shopping centre and offices that form part of the Minster Quarter Estate, one of the most exciting urban regeneration development zones in the south-east of England. Planning consent was received last year to develop 422 flats above the existing shopping centre. Texton owns 50% of the property in a joint venture, the boundary borders a council-owned plot which is zoned for the development of a further 1 000 homes.

The property has remained active throughout the year, housing essential tenants such as the NHS, an Iceland food store and various household goods retailers. The majority of the footfall at the shopping centre bounced back following the reopening of non-essential retail in the UK on 12 April, reaching close to 80% of pre-pandemic levels by the end of May. Levels then stabilised, but have since seen a further uptick after 19 July 2021 when most restrictions ended.

The convenience and value orientation of the tenant mix has helped sustain trade relative to fashion anchored destinations. The turnover of some of the anchor tenants are now close to 2019 levels, the lost footfall often being made up by a higher average spend, customers being more purposeful during their visits. Some of the catering and service units have enjoyed a slower recovery, the return of office workers to the centre has been gradual and the number of those commuting, using public transport is still less than half the 2019 levels.

Rent collection has been robust compared to other shopping centres, an average rent collection of 85% has been achieved over the financial year. This compares favourably to the average retail sector collection reported by Remit Consulting of 73,4% over the same period.

Repurposing improvements have continued as the income streams are increasingly being diversified to add non-retail uses. Really Local Group has recently opened a new boutique cinema and entertainment venue. Spinners has opened a competitive socialising outlet offering golf, bowling and darts, and Co-space has opened a serviced office and co-working facility linked to the mall. All three concepts present extremely well and will enhance the consumer appeal of the property.



## Capital management

A robust balance sheet is a key objective of Texton as it allows us the flexibility to navigate these challenging times. As such, we have focused on reducing the LTV and derisking the balance sheet from currency and market risk. As a result of these initiatives, Texton has managed to reduce its group LTV to 31,8% from 46,2%.

**Sale of non-core properties and opportunistic sales**

Texton at the beginning of the financial year ending 30 June 2021, identified 16 properties valued at R601,2 million for disposal. Texton over the year, added five properties to its disposals list, two of these properties, DHL Bawtry and B&Q Cambourne, were opportunistic sales taking advantage of the depth of demand for industrial and DIY assets in the UK.

Texton has been able to successfully dispose of 12 assets over the financial year-end realising R712,2 million in capital to strengthen the balance sheet by either repaying debt or being able to invest in our properties.

Texton has eight properties classified as held for sale on 30 June 2021. Two of these properties are located in the UK and the remaining six are located in SA. Texton is still experiencing delays in the sale and transfer of properties in SA due to delays in obtaining municipal clearance and the limited operating times of the deeds office due to COVID-19. The table below provides further details on the sales of non-core assets.

*Sales of non-core assets*

| | Location of property | | | |
|---|---|---|---|---|
| **Sector** | **SA** | **UK** | **Number of properties** | **R'000** |
| **Balance as at 30 June 2020** | 14 | 2 | 16 | 601 293 |
| Sold | (10) | (2) | (12) | (712 186) |
| Reclassified as investment property[8] | (1) | – | (1) | (37 700) |
| Properties added to the held for sale list | 3 | 2 | 5 | 703 307 |
| Change in exchange rates and fair values | – | – | – | (49 050) |
| **Balance as at 30 June 2021** | **6** | **2** | **8** | **505 664** |

Four of the eight properties have been contracted for, of which three were unconditional at 30 June 2021. All three of these properties with a value of R177,1 million have successfully transferred after year-end. Please refer to the **subsequent events** section for more information.

**Group borrowings**

Texton has worked closely with its funders both in SA and in the UK to optimise borrowings by reducing leverage, increasing the tenor of its facilities and obtaining better pricing on loans to reduce the cost of borrowing.

Texton was able to renew all its loan facilities that were expiring in the year and worked proactively with its lenders to early renew its facilities expiring within six months after year-end. In this regard, Texton renewed its revolving credit facility with Standard Bank that expires on 31 December 2021, by a further 30 months at an improved margin due to the company improving the strength of its balance sheet. Texton also renewed the debt that was expiring with Investec Bank Limited on 31 May 2021 early, extending the debt facility a further 30 months on the same terms as the current debt.

[8] *The property was reclassified to investment property due to significant changes in the lease profile at the property as a result of promising new lets achieved in a very short period.*

Texton has worked closely with SA and UK funders to build trust to ensure a strong business relationship, enabling the company to emerge from the pandemic with a stronger balance sheet with supportive debt funders. Texton's increased transparency with our funders has given them comfort to ensure they continue lending and supporting the group's business initiatives.

Texton converted a £7,5 million loan secured against South African assets to Rand denominated debt at an average rate of conversion of R21,07. The conversion of this debt removes the currency mismatch from Texton's balance sheet and simplifies the funding structures that Texton has in place.

In line with Texton's stated objectives in June 2020, the company has continued to pay down the debt on the balance sheet. In the year under review, Texton has reduced its debt by R567,1 million, of which R451,9 million is a permanent reduction in debt[9].

Total debt at 30 June 2021 amounted to R1,4 billion (30 June 2020: R2,0 billion).

*Debt profile*

| | June 2021 | | | June 2020 | | |
|---|---|---|---|---|---|---|
| | ZAR facilities Rm | GBP facilities £m | Total facilities Rm | ZAR facilities Rm | GBP facilities £m | Total facilities Rm |
| Total debt facilities | **1 166,9** | **19,2** | **1 547,0** | 1 132,9 | 40,2 | 1 997,4 |
| Total debt drawn | **1 016,9** | **19,2** | **1 397,0** | 1 132,9 | 40,2 | 1 997,4 |
| Net debt[10] | **955,9** | **4,1** | **1 036,8** | 1 051,3 | 37,5 | 1 857,8 |
| Subject to fix rates[11] | **300,0** | **29,8** | **889,2** | 995,0 | 29,8 | 1 636,7 |
| % hedged on net debt | **31,4** | **726,8** | **85,8** | 94,6 | 79,4 | 88,1 |
| % effective interest rate | **6,3** | **2,8** | **5,5** | 9,4 | 2,9 | 6,6 |
| Weighted average expiry | **2,0** | **4,0** | **2,5** | 2,2 | 4,2 | 3,1 |
| Interest cover ratio | **–** | **–** | **3,1** | – | – | 2,8 |

*Loan and swap profile (30 June 2021)*

| | 2022 | 2023 | 2024 | 2025 | Total |
|---|---|---|---|---|---|
| **SA** | | | | | |
| Loan expiry profile (Rm) | 50,0 | 652,3 | 314,6 | – | 1 016,9 |
| Hedging profile (Rm) | 100,0 | 200,0 | – | – | 300,0 |
| **UK** | | | | | |
| Loan expiry profile (GBP'000) | – | – | – | 19 236 | 19 236 |
| Hedging profile (GBP'000)[11] | 19 619 | – | 10 200 | – | 29 819 |
| **Group** | | | | | |
| Loan expiry profile (Rm) | 50,0 | 652,3 | 314,6 | 380,1 | 1397,0 |
| Hedging profile (Rm) | 487,7 | 200,0 | 201,5 | – | 889,2 |

[9] *This includes the movement in foreign exchange.*

[10] *Net debt is defined as debt less cash and cash equivalents.*

[11] *£19,6 million of our UK interest rate swaps expire on 12 August 2021, Texton has chosen to let these swaps roll to maturity as opposed to early closeout.*



Texton's overall net debt on a group basis remains significantly hedged with 85,8% (30 June 2019: 88,1%) of its interest rate exposure hedged through interest rate swaps. However, more than 50% of the interest rate swaps that Texton has exposure to will expire shortly after year-end. This will enable Texton to take advantage of the lower interest rate available.

As at 30 June 2021, Texton has R10,0 million (June 2020: R98,3 million) of property unencumbered.

**Cross-currency interest rate swaps**

At 30 June 2020, Texton only had one CCIRS in place:

| | GBP nominal £m | ZAR nominal Rm | GBP/ZAR initial rate | GBP average rate over the term % | ZAR fixed rate over the term % | Maturity | Mark-to-market R'000 |
|---|---|---|---|---|---|---|---|
| Investec | 23,3 | 453,9 | 19,48 | 3,18 | 11,0 | 2 Sept 2021 | 94 |

During the first half of the financial year, Texton partially closed out £7,5 million of the CCIRS at a positive mark-to-market payment of R650 000. In order to protect Texton's balance sheet from significant closeout foreign exchange risk on the closeout of the CCIRS, Texton entered into an FEC with Investec Bank Limited to fix the closeout rate of the CCIRS at R19,55:£1, this translates into a capital cost of R1,7 million to closeout the CCIRS on maturity.

At the current CCIRS level, the CCIRS is now at 57,0% of our property assets (as per the table below), Texton will closeout the CCIRS on 2 September 2021.

*Cross-currency exposure*

| Sector | 30 June 2021 £'000 | 31 December 2021 £'000 | 30 June 2020 £'000 |
|---|---|---|---|
| Total property assets | **40 845** | 62 355 | 58 445 |
| Cash on hand | **14 757** | 2 744 | 2 705 |
| HSBC debt | **(19 236)** | (32 667) | (32 667) |
| Broad Street Mall net equity | **11 227** | 16 401 | 19 074 |
| **Net equity** | **47 593** | 48 833 | 47 557 |
| Current CCIRS | **23 300** | 23 300 | 30 800 |
| % of property assets | **57,0** | 37,4 | 52,7 |
| % of net equity | **49,0** | 47,7 | 64,8 |
| Effective hedge (CCIRS + bank debt as % of total assets) | **63,6** | 68,7 | 79,1 |

The mark-to-market of the CCIRS as at 30 June 2021, was a liability of R94 377 (June 2020: R32,2 million liability) and no margining was required to be posted with Investec at year-end.

## INVESTMENT PROPERTY

Texton's policy is to have one-third of its properties externally valued by an independent valuer each year and the remaining properties valued internally by the board using the same methodology applied by the external valuers.

The analysis of the valuations performed in South Africa are as follows:

| | Number of properties | % of total properties | Value of properties R'000 | % of value |
|---|---|---|---|---|
| Properties valued externally | 12 | 34,3 | 960 120 | 43,6 |
| Properties valued internally | 17 | 48,6 | 1 091 520 | 49,7 |
| **Total investment property** | **29** | **82,9** | **2 051 640** | 93,3 |
| Properties valued externally | 1 | 2,9 | 60 000 | 2,7 |
| Properties valued internally | 5 | 14,2 | 88 315 | 4,0 |
| **Total held for sale** | **6** | **17,1** | **148 315** | 6,7 |
| **Total SA properties** | **35** | **100,0** | **2 199 955** | 100,0 |

*Top five properties by value in SA*

| Property | Value (R'000) | Sector | GLA $m^2$ | Vacancy $m^2$ | % of total value | Valuation R/$m^2$ |
|---|---|---|---|---|---|---|
| 1. Foretrust | 340 000 | Office | 24 925 | 584 | 15,5 | 13 641 |
| 2. Greenstone office park | 247 070 | Office | 19 483 | 3 182 | 11,2 | 12 681 |
| 3. Bryanston Gate | 190 100 | Office | 16 652 | 4 341 | 8,6 | 11 416 |
| 4. Hermanstad | 132 000 | Industrial | 11 183 | 156 | 6,0 | 11 804 |
| 5. Golddurb | 130 000 | Retail | 43 988 | – | 5,9 | 2 955 |
| Top five total | 1 039 170 | | 116 231 | 8 263 | 47,2 | 8 941 |
| **Total SA properties** | **2 199 955** | | **249 328** | **54 350** | **100,0** | **8 824** |

*Sectoral split – SA*

| | Commercial | Industrial | Retail | Total |
|---|---|---|---|---|
| Number of properties | 30 | 2 | 3 | 35 |
| Value of properties (R'000) | 1 647 295 | 185 500 | 367 200 | 2 199 955 |
| Value of properties (%) | 74,9 | 8,4 | 16,7 | 100,0 |
| Property revenue excluding lease smoothing (R'000) | 276 070 | 34 876 | 61 515 | 372 461 |
| Revenue (%) | 74,1 | 9,4 | 16,5 | 100,0 |
| Gross lettable area ($m^2$) | 157 436 | 61 408 | 30 484 | 249 328 |
| Gross lettable area (%) | 63,2 | 24,6 | 12,2 | 100,0 |
| Vacant area ($m^2$) | 52 347 | 1 939 | 64 | 54 530 |
| Sector vacancy (%) | 33,2 | 3,2 | 0,2 | 21,8 |
| Vacancy on total GLA (%) | 21,0 | 0,8 | 0,0 | 21,8 |



The analysis of the valuations performed in the United Kingdom are as follows:

| | Number of properties | % of total properties | Value of properties R'000 | % of value |
|---|---|---|---|---|
| Properties valued externally | 4 | 66,7 | 449 724 | 55,7 |
| Properties valued internally | – | – | – | – |
| **Total investment property** | **4** | **66,7** | **449 724** | 55,7 |
| Properties valued externally | – | – | – | – |
| Properties valued internally | 2 | 33,3 | 357 350 | 44,3 |
| **Total held for sale** | **2** | **33,3** | **357 350** | 44,3 |
| **Total UK properties** | **6** | **100,0** | **807 074** | 100,0 |

*Top five properties by value in SA*

| Property | Value (R'000) | Sector | GLA $m^2$ | Vacancy $m^2$ | % of total value | Valuation R/$m^2$ |
|---|---|---|---|---|---|---|
| 1. Caterpillar | 199 373 | Industrial | 10 117 | – | 24,7 | 19 707 |
| 2. Mowbray House | 180 305 | Office | 5 360 | – | 22,3 | 33 639 |
| 3. B&Q Cambourne | 177 045 | Retail | 4 465 | – | 21,9 | 39 652 |
| 4. Coveris | 159 459 | Industrial | 7 912 | – | 19,8 | 20 154 |
| 5. Parc Pensam | 49 893 | Retail | 1 789 | – | 6,2 | 27 889 |
| Top five total | 766 075 | | 29 643 | – | 94,9 | 25 843 |
| **Total UK properties** | **807 074** | | **33 603** | **–** | **100,0** | **24 018** |

*Sectoral split – UK*

| | Commercial | Industrial | Retail | Total |
|---|---|---|---|---|
| Number of properties | 1 | 3 | 2 | 6 |
| Value of properties (R'000) | 180 305 | 399 833 | 226 938 | 807 074 |
| Value of properties (%) | 22,3 | 49,5 | 28,2 | 100,0 |
| Property revenue excluding lease smoothing (R'000) | 5 676 | 42 989 | 23 456 | 72 121 |
| Revenue (%) | 7,9 | 59,6 | 32,5 | 100,0 |
| Gross lettable area ($m^2$) | 5 360 | 21 989 | 6254 | 33 603 |
| Gross lettable area (%) | 16,0 | 65,4 | 18,6 | 100,0 |
| Vacant area ($m^2$) | – | – | – | – |
| Sector vacancy (%) | – | – | – | – |
| Vacancy on total GLA (%) | – | – | – | – |

## NET ASSET VALUE PER SHARE

| | 30 June 2021 R'000 | 31 December 2020 R'000 | 30 June 2020 R'000 |
|---|---|---|---|
| Reported NAV attributable to the parent | **2 120 078** | 2 114 461 | 1 972 740 |
| *Adjustments:* | | | |
| Fair value of certain derivative financial instruments | **14 910** | 35 283 | 55 911 |
| Deferred tax | **19 790** | 12 398 | 12 754 |
| **Total equity** | **2 154 788** | 2 162 142 | 2 041 405 |
| **Shares outstanding** | | | |
| Number of shares in issue at year end (net of treasury shares) '000 | **344 280** | 349 395 | 349 395 |
| **NAV per share (cents)** | **625,88** | 618,82 | 584,27 |

NAV per share has increased to R6,25 cents per share from R5,84 as at 30 June 2020. This represents an increase of 15,13 cents per share or an increase of 7,12%.

## CURRENCY

The closing exchange rate on 30 June was R19,76:£1 (June 2020: R21,52:£1); and the average exchange rate for the period was R20,71:£1 (June 2020: R19,76:£1).

## STATED CAPITAL AND SHARES REPURCHASED

The group has been active in repurchasing shares in the open market. Texton repurchased and cancelled 10 428 348 treasury shares via the Texton Property Fund Limited Share Incentive Scheme Trust ("the Trust"), reducing the shares held by the Trust to zero.

In addition, the group holds treasury shares via Discus House Proprietary Limited ("Discus House"), a subsidiary of Texton. Discus House purchased 5 294 052 shares during the year under review bringing the total amount of shares held by Discus House to 21 537 917 shares (June 2020: 16 243 865). The total amount of treasury shares at 30 June 2021 amounts to 21 537 917 (June 2020: 26 672 213).

Texton will continue to buyback shares in the market as per our approved shareholder resolution that was passed at our AGM on 30 November 2020. Post year end Texton repurchased a further 2 457 839 shares increasing treasury shares to 23 995 756.

## SA REIT ASSOCIATION BEST PRACTICE RECOMMENDATIONS ("BPR")

The SA REIT Association has released the second edition BPR, which deals with best-practice reporting for SA REITs. The new BPR is applicable for financial year-ends starting from 1 January 2020 and will accordingly apply to Texton from the financial year ending 30 June 2021. Texton has applied the recommendations included in the second edition BPR in these results and are included in Annexure A.

## CHANGES TO THE BOARD

There have been no changes to the board during this period, bringing stability to the company during this challenging period. Pienaar Welleman accepted the role as permanent chief executive officer of Texton from 20 November 2020.



## EVENTS AFTER THE REPORTING DATE

The following events are reported:

- As reported on SENS, Texton completed the sale of B&Q Cambourne for a sale price of £8,96 million. The current depth of demand for DIY property in the UK has provided Texton with an opportunity to sell the property. The sale allows Texton to secure an attractive and profitable exit from the property, for which Texton will utilise the sale proceeds to re-invest into properties with strong value add potential through active asset management and deploy defensive capital expenditure to improve the value of the existing portfolio. The sale further reduces Texton's exposure to UK retail property and improves the weighted average lease expiry and income profile of the remaining UK portfolio
- Our retail property known as "Goldurb", located at 381 – 389 Doctor Pixley Kaseme Street, Durban CBD, KwaZulu-Natal, was looted and shopfronts were damaged. Fortunately, there was no structural damage to the building. Cleaning and repairs of the building have taken place and all tenants were trading shortly after the social unrest in the area. Texton has the appropriate levels of SASRIA cover in place from both a capital and income perspective. Texton has undertaken significant measures to ensure all other high-risk properties are secured and the safety of our staff remains paramount
- Texton has repurchased a further 2 457 839 shares in the open market at a average price of R3,19 per share.

The board is not aware of any events other than disclosed in this report, that have a material impact on the results or disclosures of the group and which have occurred subsequent to the end of the reporting period.

## PROSPECTS AND OUTLOOK

The COVID-19 pandemic's devastating third wave, coupled with the recent civil unrest in SA has made the macro-economic environment in SA increasingly uncertain to predict. While the board is confident of the strength of the business and the robust balance sheet, we need a functioning macro-economic environment, with an open economy and increasing business confidence, where business leaders can make decisions about the long-term use of their commercial property needs.

Our UK investments continue to provide stable, predictable cash flows and with an open economy due to a successful vaccine roll-out, we have seen steady growth in the macro-economy. The investment in the UK has provided a much-needed buffer and has proved that having a diversified portfolio provides stability for shareholders.

The balance sheet has been significantly reinforced with the sale of non-core assets, the refinancing of debt on improved terms and the reduction in CCIRS exposure. The business remains cash generative, with healthy interest cover ratios and the ability to meet all debt servicing requirements.

Texton will look to put recycled capital to use in the current financial year to achieve organic growth in SA earnings by repositioning and repurposing our SA properties to the shift in market requirements. Texton will look to grow its business by deploying capital in developed markets.

Given the uncertainties that exist in this environment, the board has resolved not to provide earnings and distributions guidance until it is comfortable that such guidance is highly probable.

## DECLARATION OF A CASH DIVIDEND

Notice is hereby given of a declaration of the gross final cash dividend of 37,18 cents per share for the year ended 30 June 2021 ("Cash Dividend").

| **Salient dates and time** | **2021** |
|---|---|
| Last day to trade ("LDT") *cum* dividend | Tuesday, 5 October |
| Shares to trade *ex*-dividend | Wednesday, 6 October |
| Record date | Friday, 8 October |
| Cheques posted to Certificated Shareholders and accounts credited by CSDP or broker | Monday, 11 October |

**Notes**

1. Shares may not be dematerialised or rematerialised between commencement of trade on Wednesday, 6 October 2021 and the close of trade on Friday, 8 October 2021.

## TAX IMPLICATIONS

As the company has REIT status, shareholders are advised that the dividend meets the requirements of a "qualifying distribution" for the purposes of section 25BB of the Income Tax Act (No. 58 of 1962), as amended, ("Income Tax Act"). The dividend on the shares will be deemed to be a dividend, for South African tax purposes, in terms of section 25BB of the Income Tax Act.

### South African tax residents

The dividend received by or accrued to South African tax residents must be included in the gross income of such shareholders and will not be exempt from income tax (in terms of the exclusion to the general dividend exception, contained in paragraph (aa) of section 10(1)(k)(i) of the Income Tax Act) because it is a dividend distributed by a REIT. The dividend is exempt from dividend withholding tax in the hands of South African tax resident shareholders, provided that the South African resident shareholders provide the following forms to the CSDP or broker in respect of uncertificated shares, or to the company, in respect of certificated shares:

- a declaration that the dividend is exempt from dividend tax; and
- a written undertaking to inform the CSDP, broker or the company, should the circumstances affecting the exemption change or the beneficial owner cease to be the beneficial owner,

both in the form prescribed by the Commissioner for the South African Revenue Service. Shareholders are advised to contact their CSDP, broker or the company to arrange for the abovementioned documents to be submitted prior to payment of the dividend if such documents have not already been submitted.

### Non-resident shareholders

Dividends received by non-resident shareholders will not be taxable as income and instead will be treated as an ordinary dividend which is exempt from income tax in terms of the general dividend exemption in section 10(1)(k)(i) of the Income Tax Act. It should be noted that up to 31 December 2013, dividends received by non-residents from a REIT were not subject to dividend withholding tax. Since 1 January 2014, any dividend received by a non-resident from a REIT will be subject to dividend withholding tax at 20%, unless the rate is reduced in terms of any applicable agreement for the avoidance of double taxation ("DTA") between South Africa and the country of residence of the shareholder concerned. Assuming dividend withholding tax will be withheld at a rate of 20%, the net dividend amount due to non-resident shareholders is 29,976 cents per share. A reduced dividend withholding rate in terms of the applicable DTA may only be relied on if the non-resident shareholder has provided the following form to their CSDP or broker in respect of uncertificated shares, or the company, in respect of certificated shares:

- a declaration that the dividend is subject to a reduced rate as a result of the application of DTA; and
- a written undertaking to inform their CSDP, broker or the company, should the circumstances affecting the reduced rate change or the beneficial owner cease to be the beneficial owner,

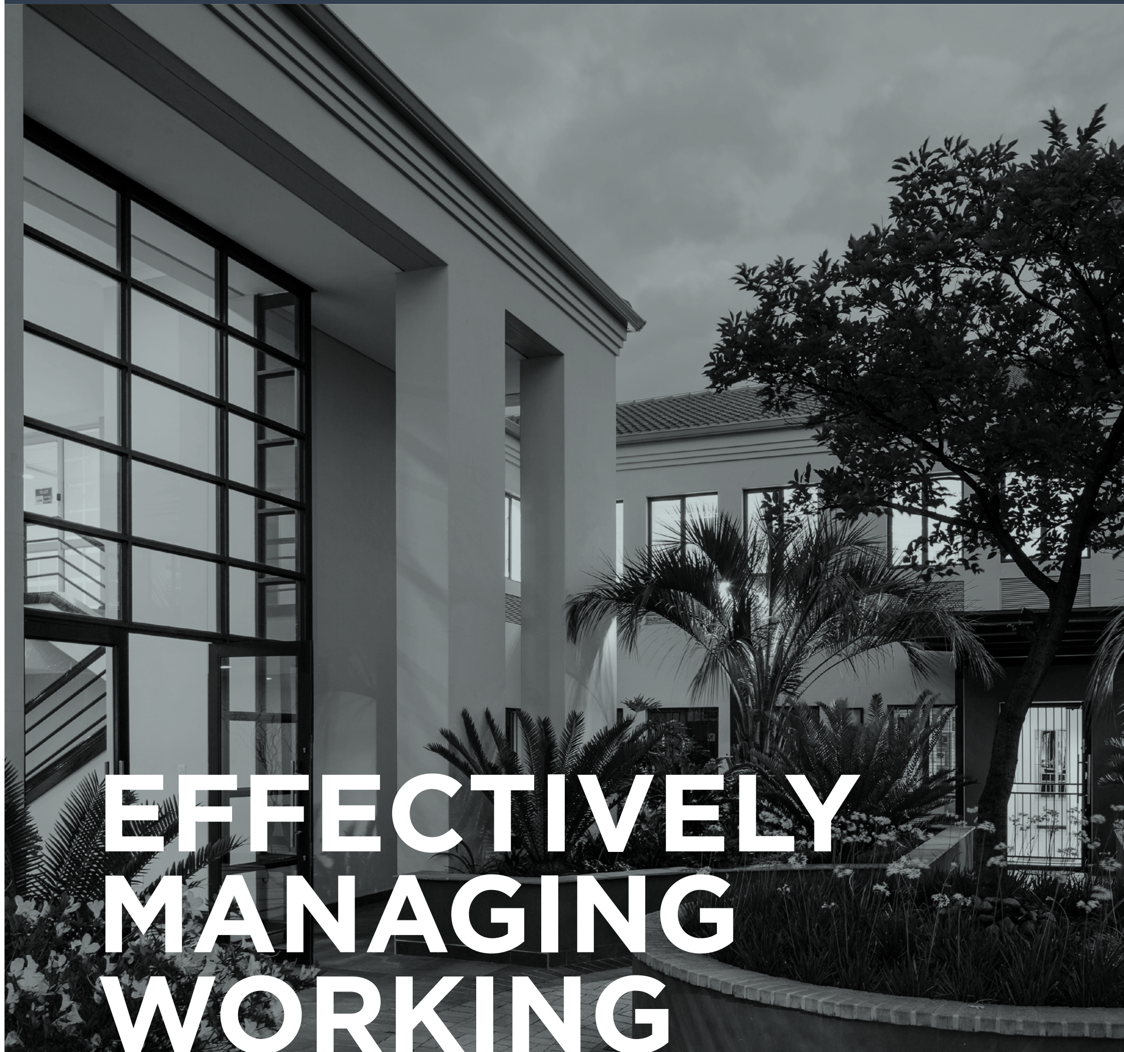
both in the form prescribed by the Commissioner for the South African Revenue Service. Non-resident shareholders are advised to contact their CSDP, broker or the company to arrange for the abovementioned documents to be submitted prior to payment of the dividend if such documents have not already been submitted.

The company's tax reference number is: 9353785158.

**Note:**

At the date of the announcement, Texton had 365 638 418 ordinary shares in issue.





# EFFECTIVELY MANAGING WORKING CAPITAL

Remaining focused on the property fundamentals of retaining tenants and filling vacancies, while driving cost efficiencies.

# SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2021

| | Audited 30 June 2021 R'000 | Audited 30 June 2020 R'000 |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | **2 712 290** | 3 416 932 |
| Investment property | **2 501 365** | 3 149 057 |
| Property and equipment | **7 448** | 3 236 |
| Tenant installation | **9 093** | 6 089 |
| Investment in joint venture | **167 388** | 252 272 |
| Lease commissions | **8 542** | 6 278 |
| Other receivables | **18 454** | – |
| **Current assets** | **424 180** | 189 864 |
| Trade and other receivables | **38 936** | 44 222 |
| Derivative financial assets | **7 143** | – |
| Income tax receivable | **18 016** | 3 451 |
| Cash and cash equivalents | **360 085** | 142 191 |
| **Investment property held for sale** | **505 664** | 601 293 |
| **Total assets** | **3 642 134** | 4 208 089 |
| **EQUITY AND LIABILITIES** | | |
| **Total equity** | **2 120 078** | 1 972 740 |
| Stated capital | **2 829 221** | 2 842 473 |
| Accumulated loss | **(556 100)** | (758 095) |
| Share-based payment reserve | **145** | – |
| Foreign currency translation reserve | **(153 188)** | (111 638) |
| **Non-current liabilities** | **1 373 099** | 1 642 388 |
| External loans and derivative financial instruments | **1 350 137** | 1 626 382 |
| Deferred tax | **19 790** | 12 754 |
| Lease liability | **3 172** | 3 252 |
| **Current liabilities** | **148 957** | 592 961 |
| External loans and derivative financial instruments | **57 473** | 456 440 |
| Trade and other payables | **87 862** | 107 923 |
| Income tax payable | **3 622** | 28 598 |
| **Total equity and liabilities** | **3 642 134** | 4 208 089 |

# SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2021

| | Audited 30 June 2021 R'000 | Audited 30 June 2020 R'000 |
|---|---|---|
| **Property revenue** | **441 693** | 519 185 |
| Investment property income | **444 448** | 521 905 |
| Straight-line rental adjustment | **(2 755)** | (2 720) |
| Reversal of impairment/(impairment losses) recognised on trade receivables | **5 010** | (27 595) |
| Property expenses | **(159 832)** | (183 780) |
| **Net property income** | **286 871** | 307 810 |
| Other income | **714** | 4 715 |
| Administrative expenses | **(34 641)** | (38 022) |
| Expenses incurred for corporate transactions | **(3 097)** | – |
| (Loss)/profit from joint venture | **(97 862)** | 34 711 |
| Foreign exchange losses | **(413)** | (90 732) |
| **Operating profit** | **151 572** | 218 482 |
| Finance income | **59 006** | 85 780 |
| Finance costs | **(146 668)** | (168 891) |
| Fair value adjustments | **130 063** | (196 849) |
| **Profit/(loss) before taxation** | **193 973** | (61 478) |
| Taxation income/(expenses) | **8 022** | (69 023) |
| **Profit/(loss) for the year** | **201 995** | (130 501) |
| **Other comprehensive (loss)/income:** | | |
| Items that may be classified to profit or loss | | |
| Exchange differences on translating foreign operations | **(41 550)** | 102 241 |
| **Other comprehensive income/(loss) for the year, net of taxation** | **(41 550)** | 102 241 |
| **Total comprehensive income/(loss) for the year** | **160 445** | (28 260) |
| **Profit/(loss) attributable and total comprehensive income/loss attributable:** | | |
| Equity holders of the company | **160 445** | (28 260) |
| **Earnings per share** | | |
| Basic and diluted earnings per share (cents) | **57,97** | (37,25) |
| Headline earnings per share (cents) | **73,26** | (23,35) |

# SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2021

| | Audited 12 months 30 June 2021 R'000 | Audited 12 months 30 June 2020 R'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Cash generated from operations | **252 014** | 262 879 |
| Interest received | **60 920** | 85 609 |
| Interest paid | **(147 273)** | (162 636) |
| Commission paid | **(7 083)** | (3 614) |
| Dividends paid | **–** | (122 952) |
| Taxation paid | **(24 765)** | (47 477) |
| **Net cash inflow from operating activities** | **133 813** | 11 809 |
| **Cash flows from investing activities** | | |
| Additions to investment properties | **(8 681)** | (1 706) |
| Additions to plant and equipment | **(5 446)** | (2 166) |
| Proceeds on disposal of investment properties held for sale | **692 032** | 208 928 |
| Proceeds on disposal of investment property | **1 172** | – |
| Additional investment in joint venture | **(12 977)** | (11 469) |
| Tenant installation incurred | **(6 061)** | (3 265) |
| **Net cash inflow from investing activities** | **660 039** | 190 322 |
| **Cash flows from financing activities** | | |
| Treasury shares acquired | **(13 252)** | – |
| Proceeds from external loans and derivative financial instruments | **10 506** | 57 845 |
| Debt structuring fees paid | **(1 635)** | – |
| Repayment of external loans and derivative financial instruments | **(567 146)** | (457 288) |
| Lease liability payment | **(473)** | (472) |
| **Net cash outflow from financing activities** | **(572 000)** | (399 915) |
| Net cash inflow/(outflow) for the year | **221 852** | (197 784) |
| Effects of movements in exchange rate changes on cash held | **(3 958)** | 3 382 |
| Cash and cash equivalents at beginning of year | **142 191** | 323 985 |
| Release of restricted cash | **–** | 12 608 |
| **Cash and cash equivalents at end of year** | **360 085** | 142 191 |



# SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2021

| | Stated capital R'000 | Foreign currency translation reserve R'000 | Share-based payment reserve R'000 | Accu-mulated loss R'000 | Total R'000 |
|---|---|---|---|---|---|
| **Balance at 30 June 2019** | 2 842 473 | (213 879) | – | (504 642) | 2 123 952 |
| **Total comprehensive income for the year** | – | 102 241 | – | (130 501) | (28 260) |
| Loss for the year | – | – | – | (130 501) | (130 501) |
| Exchange differences on translation of foreign operations | – | 102 241 | – | – | 102 241 |
| **Total transactions with shareholders recorded directly in equity** | – | – | – | (122 952) | (122 952) |
| Dividends paid | – | – | – | (122 952) | (122 952) |
| **Balance at 30 June 2020** | **2 842 473** | **(111 638)** | **–** | **(758 095)** | **1 972 740** |
| **Share-based transactions** | **–** | **–** | **145** | **–** | **145** |
| **Total comprehensive income for the year** | **–** | **(41 550)** | **–** | **201 995** | **160 445** |
| Profit for the year | **–** | **–** | **–** | **201 995** | **201 995** |
| Exchange differences on translation of foreign operations | **–** | **(41 550)** | **–** | **–** | **(41 550)** |
| **Transactions with shareholders, recognised directly in equity** | **(13 252)** | **–** | **–** | **–** | **(13 252)** |
| Treasury shares acquired | **(13 252)** | **–** | **–** | **–** | **(13 252)** |
| **Balance at 30 June 2021** | **2 829 221** | **(153 188)** | **145** | **(556 100)** | **2 120 078** |

# NOTES TO THE SUMMARISED AUDITED CONSOLIDATED RESULTS

## 1. BASIS OF PREPARATION

The summarised consolidated annual 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 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*. These do not include all of the information required in annual financial statements in accordance with IFRS and should be read in conjunction with the consolidated financial statements for the year ended 30 June 2021.

The accounting policies applied in the preparation of the summarised consolidated annual financial statements are in terms of IFRS and are consistent with those applied in the previous audited consolidated annual financial statements.

The summarised consolidated annual 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).

Any information included in this announcement that might be perceived as a forward-looking statement has not been reviewed or reported on by the company's auditors in accordance with section 8.40(a) of the JSE Listings Requirements.

The summarised consolidated annual financial statements were prepared under the supervision of the chief financial officer, Mr P Hack CA(SA).

## 2. AUDIT OPINION

These summarised consolidated annual financial results are extracted from the audited financial statements, but is in itself not audited. The consolidated financial statements for the year ended 30 June 2021 were audited by BDO South Africa Inc., who expressed an unmodified opinion thereon. The audited consolidated financial statements for the year ended 30 June 2021 and the auditor's report thereon is available for inspection at the company's registered office.

The directors take full responsibility for the preparation of these summarised consolidated annual financial results and confirm that the financial information has been correctly extracted from the consolidated financial statements.

The auditor's report does not necessarily report on all of the information contained in these summarised consolidated annual financial results. 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 the auditor's report together with the accompanying financial information from the company's registered office or on Texton's corporate website.

## 3. INVESTMENT PROPERTY

| | Audited 30 June 2021 R'000 | Audited 30 June 2020 R'000 |
|---|---|---|
| **Reconciliation of movement in investment property for the year** | | |
| Balance at the beginning of the year | **3 149 057** | 3 291 916 |
| Additions | **8 681** | 1 706 |
| Straight-line rental adjustment | **(2 755)** | (2 719) |
| Fair value adjustments | **80 387** | (24 443) |
| Transfer to investment property reclassified as held for sale | **37 300** | (330 601) |
| Transfer from investment property reclassified as held for sale | **(703 307)** | – |
| Disposals | **(1 172)** | (469) |
| Foreign currency translation reserve | **(66 826)** | 213 667 |
| **Balance at the end of the year** | **2 501 365** | 3 149 057 |

In terms of IAS 40: *Investment Property* and IFRS 13: *Fair Value Measurement*, investment properties are measured at fair value and are categorised as level three investments. In determining the fair value, the traditional discounted cash flow method of valuation has been used. At year-end, the determination of property valuations were performed by both internal and external valuations to determine the fair value.

The fair value measurement for investment properties is categorised as level 3 under the fair value hierarchy based on the inputs to the valuation techniques used. There has been no movements to and from level 3 during the period.

Investment property and property held for sale amounting to R3,0 billion (2020: R3,6 billion) has been pledged as security for our long-term loans. Texton has R10.0 million (June 2020: R98,3 million) of unencumbered property.

## 3. INVESTMENT PROPERTY continued

### SA valuations

**Valuation technique**

The fair value of each property is determined by calculating its net present value by discounting forcasted future net cash flows and a residual value at the end of the cash flow projection period by the discount rate of each property. The discount rate used to determine the fair value of each property is assessed with reference to observable inputs. The capitalisation rate is dependent on a number of factors including location, asset class, market conditions and the risk inherent in the property.

**Significant unobservable inputs**

Financial information used to calculate forecast net income – e.g., future growth in revenue, exit capitalisation rates and discount rates. These are further explained below:

| | Audited 30 June 2021 % | Audited 30 June 2020 % |
|---|---|---|
| Discount rates used are included below: | | |
| **Sector** | | |
| Office | **14,25 – 16,0** | 14,75 – 16,75 |
| Industrial | **16,0** | 15,75 |
| Retail | **14,75 – 15,50** | 14,75 – 16,0 |
| Exit capitalisation rates for year five are included below: | | |
| **Sector** | | |
| Office | **9,75 – 11,25** | 9,75 – 12,5 |
| Industrial | **11,0** | 11,0 – 11,25 |
| Retail | **10,0 – 10,75** | 10,0 – 10,75 |
| The future revenue growth for the five-year projection is included below: | | |
| **Sector** | | |
| Office | **4,0 – 5,0** | 2,0 – 5,5 |
| Industrial | **5,0** | 5,0 – 5,5 |
| Retail | **5,0 – 8,0** | 4,0 – 5,0 |

**Sensitivity analysis to significant unobservable inputs**

| | Audited 30 June 2021 R'000 | Audited 30 June 2020 R'000 |
|---|---|---|
| **Sensitivity analysis to exit capitalisation rates** | | |
| Exit capitalisation rate increases by 1% | **(113 637)** | (112 853) |
| Exit capitalisation rate decreases by 1% | **115 028** | 131 098 |
| **Sensitivity analysis to discount rates** | | |
| Discount rate increases by 1% | **(58 275)** | (83 458) |
| Discount rate decreases by 1% | **61 857** | 80 845 |
| **Sensitivity analysis to market rentals** | | |
| Market rental decreases by 1% | **(15 221)** | (19 407) |
| Market rental increases by 1% | **15 283** | 19 648 |

### UK valuations

**Valuation technique**

The property valuations were prepared based on the equivalent yield or income capitalisation method whereby the fair value of property is determined by applying an equivalent yield to a market-related rental into perpetuity.

**Significant unobservable inputs**

| | Audited 30 June 2021 % | Audited 30 June 2020 % |
|---|---|---|
| Equivalent yields used are included below: | | |
| **Sector** | | |
| Office* | **–** | 6,00 – 8,62 |
| Industrial | **5,25 – 6,49** | 6,38 – 7,00 |
| Retail | **8,75** | 6,50 – 8,76 |
| Annual market rentals per square foot used are included below, rounded to nearest 1 000: | | |
| **Sector** | | |
| Office* | **–** | 91,3 – 185,5 |
| Industrial | **36,9 – 58,7** | 28,5 – 262,6 |
| Retail | **39,0 – 40,6** | 27,8 – 103,1 |

* *The UK office portfolio consists of Mowbary House that has been classified as held for sale, which was valued to a non-binding sales price.*

## 3. INVESTMENT PROPERTY continued

### UK valuations continued

**Sensitivity analysis to significant unobservable inputs**

| | Audited 30 June 2021 R'000 | Audited 30 June 2020 R'000 |
|---|---|---|
| **Sensitivity analysis to equivalent yields** | | |
| Equivalent yield increases by 1% | **(65 503)** | (155 154) |
| Equivalent yield decreases by 1% | **93 759** | 209 167 |
| **Sensitivity analysis to market rentals** | | |
| Market rental decreases by 1% | **(2 569)** | (6 241) |
| Market rental increases by 1% | **2 766** | 6 241 |

## 4. INVESTMENT IN JOINT VENTURE

| | Audited 30 June 2021 R'000 | Audited 30 June 2020 R'000 |
|---|---|---|
| Balance at beginning of the year | **252 272** | 206 094 |
| (Loss)/profit from joint venture | **(97 861)** | 34 711 |
| Advances to joint venture | **12 977** | 11 467 |
| **Balance at end of the year** | **167 388** | 252 272 |

The group has a 50% (2019: 50%) interest in Broad Street Mall and Texton exercises joint control. This interest is accounted for using the equity method. The company's principal place of business is in the UK and is a company incorporated in Luxembourg.

BSM was valued externally by Duff and Phelps for Inception Reading SARL at £60 million, (R1,185 billion) which represents a fair value loss of £6,6 million, (R130,4 million) as compared to 30 June 2020. The shopping centre market in the UK has been significantly disrupted by COVID-19 and the resultant lockdowns that the government has put in place to control the pandemic. The ability to accurately value a shopping centre has been significantly diminished due to the uncertain future regarding retail centres post COVID-19 and the rise and strong adoption of online retail among consumers. In light of above there is significant uncertainty relating to the value of BSM.

## 5. FAIR VALUE ADJUSTMENTS

| | Audited 30 June 2021 R'000 | Audited 30 June 2020 R'000 |
|---|---|---|
| Interest rate swap | **30 092** | (37 305) |
| Foreign exchange contract ("FEC") | **7 143** | – |
| Cross-currency interest rate swap | **39 212** | (89 652) |
| Investment property classified as held for sale | **(2 203)** | (44 079) |
| Investment property | **80 387** | (25 973) |
| Share appreciation rights | **–** | 1 689 |
| Loss on disposal of property | **(24 568)** | (1 529) |
| **Fair value gain/(loss)** | **130 063** | (196 849) |

## 6. EXTERNAL LOANS AND DERIVATIVE FINANCIAL INSTRUMENTS

| | Audited 30 June 2021 R'000 | Audited 30 June 2020 R'000 |
|---|---|---|
| Balance at beginning of year | **2 082 822** | 2 255 776 |
| – Non-current | **1 626 382** | 535 301 |
| – Current | **456 440** | 1 720 475 |
| Advances during the year | **10 506** | 57 845 |
| Repayments during the year | **(567 146)** | (457 288) |
| Foreign currency translation reserve movements | **(46 167)** | 112 737 |
| Unrealised foreign exchange movements | **(4 727)** | 38 900 |
| Fair value on interest rate swaps | **(30 092)** | 38 634 |
| Structuring fees amortised during the year | **7 003** | – |
| Debt structuring fees paid | **(1 635)** | – |
| Interest accrual | **(3 741)** | 4 054 |
| Transfer from derivative financial assets | **–** | (57 488) |
| Fair value on cross-currency interest rate swap | **(39 213)** | 89 652 |
| Closing balance at end of year | **1 407 610** | 2 082 822 |
| – Non-current | **1 350 137** | 1 626 382 |
| – Current | **57 473** | 456 440 |

## 6. EXTERNAL LOANS AND DERIVATIVE FINANCIAL INSTRUMENTS

continued

Significant movements during the period under review included the following:

- Repayment of R567 million into facilities of which R451,9 million is a permanent reduction in debt
- Early renewed our RCF expiring in December 2021 with Standard Bank for 30 months at an improved margin
- Refinanced debt expiring in May 2021 with Investec at the same pricing on a 30-month tenor
- Converted all GBP debt secured on South African assets as a net foreign exchange gain of R3 million.

### Bank covenants

**Loan covenants applicable to the Standard Bank facilities**

- LTV ratio for the group may not exceed 50%
- Group interest cover of a minimum of 2,0 times cover
- LTV ratio for the Standard Bank facility may not exceed 65%
- Interest cover ratio for the facility of a minimum of 2,0 times cover
- All covenants applicable to Standard Bank are currently met by Texton.

**Loan covenants applicable to the Investec Bank facilities**

- LTV ratio for the group may not exceed 50%
- Group interest cover of a minimum of 2,0 times cover
- LTV ratio for the Investec Bank facility may not exceed 55%
- All covenants applicable to Investec Bank are currently met by Texton.

**Loan covenants applicable to the HSBC Plc facilities**

- LTV ratio for the HSBC facilities may not exceed 65%
- Historical interest cover ratio for the facility must be a minimum of 2,0 times cover
- Projected interest cover ratio for the facility must be a minimum of 1,75 times cover
- All covenants applicable to HSBC Plc are currently met by Texton.

## 7. INVESTMENT PROPERTY HELD FOR SALE

| | Audited 30 June 2021 R'000 | Audited 30 June 2020 R'000 |
|---|---|---|
| Balance at the beginning of the year | **601 293** | 529 523 |
| Transferred from investment property | **703 307** | 330 601 |
| Transfer to investment property | **(37 300)** | – |
| Disposals | **(712 186)** | (208 928) |
| Changes in fair value | **(2 203)** | (45 608) |
| Loss on disposal on sale of property | **(24 568)** | (1 529) |
| Foreign currency translation reserve | **(22 679)** | (2 766) |
| **Balance at the end of the year** | **505 664** | 601 293 |

Texton reclassified one property in South Africa, Alrode Industrial Park, back to investment property as the property trading performance significantly improved over the period and the criteria for classification as held for sale was no longer met.



## 8. FINANCIAL INSTRUMENTS

| | Fair value through profit or loss | |
|---|---|---|
| | Audited 30 June 2021 R'000 | Audited 30 June 2020 R'000 |
| **Financial assets** | | |
| Loan to joint venture | **167 388** | 252 272 |
| **Financial assets** | **167 388** | 252 272 |
| **Financial liabilities** | | |
| Other financial liabilities | **–** | 85 467 |
| **Financial liabilities** | **–** | 85 467 |

| | Amortised cost | |
|---|---|---|
| | Audited 30 June 2021 R'000 | Audited 30 June 2020 R'000 |
| **Financial assets** | | |
| Derivative financial assets | **7 143** | – |
| Other receivables | **18 454** | – |
| Trade and other receivables | **39 440** | 66 014 |
| Cash and cash equivalents | **360 085** | 142 191 |
| **Financial assets** | **425 122** | 208 205 |
| **Financial liabilities** | | |
| External loans and derivative financial instruments | **1 407 610** | 2 029 521 |
| Trade and other payables | **60 717** | 76 640 |
| **Financial liabilities** | **1 468 327** | 2 106 161 |

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. 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. 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 consolidated annual financial statements for the year ended 30 June 2021.

## 9. FAIR VALUE HIERARCHY

The company's financial assets and liabilities and investment properties are classified according to the following three-tiered fair value hierarchy:

**Level 1:** Quoted prices (unadjusted) in an active market for an identical instrument.

**Level 2:** Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

**Level 3:** Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category also includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The table below analyses financial assets and liabilities carried at fair value and investment properties where the fair value approximates the carrying amount:

| | Carrying value | | | |
|---|---|---|---|---|
| | Level 1 R'000 | Level 2 R'000 | Level 3 R'000 | Total R'000 |
| **30 June 2021** | | | | |
| **Assets** | | | | |
| Investment properties | **–** | **–** | **2 501 365** | **2 501 365** |
| Investment properties held for sale | **–** | **–** | **505 664** | **505 664** |
| Loan to joint venture | **–** | **–** | **167 388** | **167 388** |
| Foreign exchange contract | **–** | **7 143** | **–** | **7 143** |
| **Liabilities** | | | | |
| Interest rate swap | **–** | **(14 816)** | **–** | **(14 816)** |
| Cross-currency interest rate swap | **–** | **(94)** | **–** | **(94)** |
| **30 June 2020** | | | | |
| **Assets** | | | | |
| Investment properties | – | – | 3 149 057 | 3 149 057 |
| Investment properties held for sale | – | – | 601 293 | 601 293 |
| Investment in joint venture | – | – | 252 272 | 252 272 |
| **Liabilities** | | | | |
| Interest rate swap | – | (53 303) | – | (53 303) |
| Cross-currency interest rate swap | – | (32 164) | – | (32 164) |

The following table reflects the valuation techniques used in measuring level 2 fair values:

| Type | Valuation technique | Significant unobservable inputs | Inter-relationship between key unobservable inputs and fair value measurements |
|---|---|---|---|
| Derivative financial instruments: Interest rate swaps | Fair valued monthly by Investec, Standard Bank and HSBC using mark-to-market mid market values. This involves, *inter alia*, discounting the future cash flows using the yield curves at the reporting date and the credit risk inherent in the contract. | Not applicable | Not applicable |
| Derivative financial instruments: Cross-currency interest rate swap contracts | Fair valued monthly by Investec using mark-to-market mid market values. This involves, *inter alia*, discounting the future cash flows using the basis swap curves of the respective currencies at the date when the cash flows will take place. | Not applicable | Not applicable |
| Derivative financial instruments: Forward exchange contracts | Fair valued monthly by Investec using mark-to-market mid market values. This involves, *inter alia*, discounting using quoted forward exchange rates at the reporting date and present valuation calculations. | Not applicable | Not applicable |

The following table reflects the valuation techniques used in measuring level 3 fair values:

| Type | Valuation technique | Significant unobservable inputs | Inter-relationship between key unobservable inputs and fair value measurements |
|---|---|---|---|
| Investment properties | Refer to note 4 | Refer to note 4 | Refer to note 4 |
| Loan to joint venture | The value of the investment is driven predominately by the fair value of the investment property. The property is externally valued each year and was valued by Duff and Phelps for the year ended 30 June 2021. | Not applicable | Not applicable |

## 10. SEGMENT REPORTING

The group has two reportable segments based on the geographic split which are the group's strategic business segments. These two geographic segments are then split between office, retail and industrial sectors within these regions. Segments are located in South Africa and the United Kingdom.

During the year ended 30 June 2021, there have been no changes from prior periods in the measurement methods used to determine operating segments and reported segment profit or loss.

| | South Africa | | United Kingdom | | Total | |
|---|---|---|---|---|---|---|
| | Audited 30 June 2021 R'000 | Audited 30 June 2020 R'000 | Audited 30 June 2021 R'000 | Audited 30 June 2020 R'000 | Audited 30 June 2021 R'000 | Audited 30 June 2020 R'000 |
| **Segmental revenue – rental revenue** | | | | | | |
| Office | **264 370** | 326 144 | **5 676** | 13 971 | **270 046** | 340 115 |
| Retail | **67 317** | 61 112 | **23 456** | 29 365 | **90 773** | 90 477 |
| Industrial | **36 256** | 42 528 | **44 618** | 46 065 | **80 874** | 88 593 |
| | **367 943** | 429 784 | **73 750** | 89 401 | **441 693** | 519 185 |
| **Profit before tax** | | | | | | |
| Office | **34 421** | 126 116 | **8 314** | 4 315 | **42 735** | 130 431 |
| Retail | **71 623** | 24 386 | **(62 031)** | 169 718 | **9 592** | 194 104 |
| Industrial | **29 282** | 11 670 | **165 304** | 12 798 | **194 586** | 24 468 |
| Corporate | **(48 779)** | (315 816) | **(4 161)** | (94 665) | **(52 940)** | (410 481) |
| | **86 547** | (153 644) | **107 426** | 92 166 | **193 973** | (61 478) |
| **Total assets** | | | | | | |
| Office | **1 721 423** | 1 976 190 | **186 217** | 198 612 | **1 907 649** | 2 174 802 |
| Retail | **382 854** | 380 165 | **408 585** | 607 511 | **791 439** | 987 676 |
| Industrial | **198 564** | 230 833 | **420 352** | 772 259 | **618 916** | 1 003 092 |
| Corporate | **55 312** | 38 828 | **268 827** | 3 891 | **324 139** | 42 519 |
| | **2 358 153** | 2 626 016 | **1 283 981** | 1 582 273 | **3 642 134** | 4 208 089 |
| **Total liabilities** | | | | | | |
| Office | **30 319** | 44 366 | **95 208** | 131 634 | **125 527** | 176 000 |
| Retail | **17 992** | (1 851) | **113 273** | 164 516 | **131 265** | 162 665 |
| Industrial | **10 179** | 8 881 | **209 672** | 465 431 | **219 851** | 474 312 |
| Corporate | **1 039 627** | 1 421 363 | **5 786** | 1 009 | **1 045 413** | 1 422 372 |
| | **1 098 117** | 1 472 759 | **423 939** | 762 590 | **1 522 056** | 2 235 349 |

## 11. HEADLINE EARNINGS

| | For the year ended 30 June 2021 | | For the year ended 30 June 2020 | |
|---|---|---|---|---|
| | Gross R'000 | Net R'000 | Gross R'000 | Net R'000 |
| **Earnings** | | | | |
| Profit/(loss) attributable to shareholders | **–** | **201 994** | – | (130 501) |
| **Headline earnings** | | | | |
| Profit/(loss) attributable to shareholders | **–** | **201 994** | – | (130 501) |
| Revaluation of investment property | **(89 559)** | **(80 387)** | 24 443 | 24 443 |
| Revaluation of investment property held for sale | **2 203** | **2 203** | 45 608 | 45 608 |
| Impairment/(revaluation) of investment property recognised in equity accounted joint venture | **106 903** | **106 903** | (23 633) | (22 665) |
| Loss on sale of property held for sale | **24 568** | **24 568** | 1 529 | 1 529 |
| **Headline earnings attributable to shareholders** | | **258 281** | | (81 586 |
| Basic earnings per share (cents) | | **57,97** | | (37,35) |
| Diluted earnings per share (cents) | | **57,97** | | (37,35) |
| Headline earnings per share (cents) | | **73,26** | | (23,35) |

## 12. EVENTS AFTER THE REPORTING DATE

### Payment of dividend

The board has elected for the year ended 30 June 2021, to make R128,0 million available for distribution as a dividend to shareholders. This represents a pay-out ratio of 76,3% of distributable income and based on the number of shares in issue (net of treasury shares), amounts to 37,47 cents per share.

### Sale of properties

As reported on SENS on 23 August 2021, Texton completed the sale of B&Q Cambourne for a sale price of R177,0 million. The current depth of demand for DIY property in the UK has provided Texton with an opportunity to sell the property. The sale allows Texton to secure an attractive and profitable exit from the property, for which Texton will utilise the sale proceeds to re-invest into properties with strong value add potential through active asset management and deploy defensive capital expenditure to improve the value of the existing portfolio. The sale further reduces Texton's exposure to UK retail property and improves the weighted average lease expiry and income profile of the remaining UK portfolio.

Standard Bank Stanger and 66 Wierda, both of which were held for sale at 30 June 2021, subsequently transferred to the purchasers on 26 August 2021.

## 12. EVENTS AFTER THE REPORTING DATE continued

### Civil unrest

Our retail property known as "Golddurb", located at 381 – 389 Doctor Pixley Kaseme Street, Durban CBD, KwaZulu-Natal, was looted and shopfronts were damaged. Fortunately, there was no structural damage to the building. Cleaning and repairs of the building have taken place and all tenants were trading shortly after the social unrest in the area. Texton has the appropriate levels of SASRIA cover in place from both a capital and income perspective. Texton has undertaken significant measures to ensure all other high-risk properties are secured and the safety of our staff remains paramount.

Other than the items mentioned above the board is not aware of any other events that have a material impact on the results or disclosures of the group and which have occurred subsequent to the end of the reporting period.

### Share repurchases

Texton has repurchased a further 2 457 839 shares in the open market since 30 June 2021 at an average price of R3,19 per share.

## 13. SUMMARY OF FINANCIAL PERFORMANCE

| | Audited 30 June 2021 R'000 | Audited 30 June 2020 R'000 |
|---|---|---|
| Shares in issue and used for dividend calculation ('000) | **341 643** | 349 395 |
| Weighted average number of shares in issue ('000) | **348 454** | 349 395 |
| Net asset value per share (cents) | **625,88** | 584,27 |
| Basic and diluted profit/(loss) per share (cents) | **57,97** | (37,35) |
| Headline and diluted earnings per share (cents) | **74,29** | (23,35) |
| Share price (cents) | **325** | 140 |
| Loan-to-value ratio* (%) | **31,5** | 46,2 |
| **Cost to income ratios** | | |
| Gross property cost to income ratio (%) | **34,8** | 40,5 |
| Net property cost to income ratio (%) | **19,70** | 27,1 |
| Gross total cost to income ratio (%) | **42,6** | 47,8 |
| Net total cost to income ratio (%) | **29,3** | 35,2 |

* *Calculated in line with BPR.*



ANNEXURE A

# SA REIT BEST PRACTICE DISCLOSURES (NON-IFRS MEASURES)

The second edition of the SA REIT Association best practice recommendations was issued in November 2019, outlining the need to provide consistent and disclosure of relevant ratios in the SA REIT sector. This will ensure information and definitions are clearly presented, enhancing comparability and consistency across the sector. The comparative figures have been computed and disclosed on the same basis.

## SA REIT FUNDS FROM OPERATIONS (SA REIT FFO) PER SHARE

| | Unaudited 12 months ending 30 June 2021 R'000 | Unaudited 12 months ending 30 June 2020 R'000 |
|---|---|---|
| **Profit or loss per income statement** | **201 994** | (130 501) |
| **Accounting/specific adjustments** | **(44 889)** | 170 449 |
| Fair value adjustments to: | | |
| – Investment property | **(78 184)** | 70 052 |
| – Debt and equity instruments held at fair value through profit or loss | **(76 448)** | 126 957 |
| Depreciation and amortisation of intangible assets | **–** | – |
| Asset impairments (excluding goodwill) and reversals of impairment | **97 862** | (34 711) |
| Losses on the modification of financial instruments | **2 581** | – |
| Deferred tax movement recognised in profit or loss | **6 545** | 5 431 |
| Straight-lining operating lease adjustment | **2 755** | 2 720 |
| **Adjustments arising from investing activities** | **24 568** | 24 442 |
| Gains or losses on disposal of: | | |
| – Investment property held for sale | **24 568** | 24 442 |
| **Foreign exchange and hedging items** | **(6 734)** | 90 731 |
| Adjustments to amounts recognised in profit or loss relating to derivative financial instruments | **(13 371)** | 43 235 |
| Foreign exchange gains or losses relating to capital items – realised and unrealised | **10 211** | 47 496 |
| Reclassified foreign currency translation reserve upon disposal of foreign operation | **(3 574)** | – |
| Other adjustments: | **(7 091)** | (38 308) |
| Tax impact of the above adjustments | **(7 091)** | (38 308) |
| **SA REIT FFO** | **167 848** | 116 813 |
| Number of shares outstanding at end of period (net of treasury shares) | **344 280** | 349 395 |
| **SA REIT FFO cents per share** | **48,75** | 33,43 |
| **Pay-out ratio (%)** | **76,28** | – |
| Income available for distribution | **128 000** | – |
| Number of shares outstanding used for dividends | **341 643** | – |
| **Distributable income per share (cents per share)** | **37,47** | – |

Number of shares includes shares purchased after year end.

# SA REIT BEST PRACTICE DISCLOSURES (NON-IFRS MEASURES) continued

## SA REIT NET ASSET VALUE ("SA REIT NAV")

| | Unaudited 12 months ending 30 June 2021 R'000 | Unaudited 12 months ending 30 June 2020 R'000 |
|---|---|---|
| Reported NAV attributable to the parent | **2 120 078** | 1 972 740 |
| Adjustments: | | |
| Dividend to be declared | **(128 000)** | – |
| Fair value of certain derivative financial instruments | **14 910** | 55 911 |
| Deferred tax | **19 790** | 12 754 |
| **SA REIT NAV** | **2 026 778** | 2 041 405 |
| **Shares outstanding** | | |
| Number of shares in issue at year end (net of treasury shares) | **344 280** | 349 395 |
| Dilutive number of shares in issue | **344 280** | 349 395 |
| **SA REIT NAV per share (cents)** | **588,70** | 584,27 |

## SA REIT COST TO INCOME RATIO

| | Unaudited 12 months ending 30 June 2021 R'000 | Unaudited 12 months ending 30 June 2020 R'000 |
|---|---|---|
| **Expenses** | | |
| Operating expenses per IFRS income statement (includes municipal expenses) | **154 822** | 211 375 |
| Administrative expenses per IFRS income statement | **34 641** | 38 022 |
| **Operating costs** | **189 463** | 249 397 |
| **Rental income** | | |
| Contractual rental income per IFRS income statement (excluding straight-lining) | **360 721** | 420 806 |
| Utility and operating recoveries per IFRS income statement | **83 727** | 101 099 |
| **Gross rental income** | **444 448** | 521 905 |
| **SA REIT cost to income ratio (%)** | **42,6** | 47,8 |

## SA REIT ADMINISTRATIVE COST TO INCOME RATIO

| | Unaudited 12 months ending 30 June 2021 R'000 | Unaudited 12 months ending 30 June 2020 R'000 |
|---|---|---|
| **Expenses** | | |
| Administrative expenses as per IFRS income statement | **34 641** | 38 022 |
| **Administrative costs** | **34 641** | 38 022 |
| **Rental income** | | |
| Contractual rental income per IFRS income statement (excluding straight-lining) | **360 721** | 420 806 |
| Utility and operating recoveries per IFRS income statement | **83 727** | 101 099 |
| **Gross rental income** | **444 448** | 521 905 |
| **SA REIT administrative cost to income ratio (%)** | **7,8** | 7,3 |

## SA REIT GLA VACANCY RATE

| | Unaudited 12 months ending 30 June 2021 $m^2$ | Unaudited 12 months ending 30 June 2020 $m^2$ |
|---|---|---|
| Gross lettable area of vacant space | **54 350** | 36 246 |
| Gross lettable area of total property portfolio | **282 930** | 348 317 |
| **SA REIT GLA vacancy rate (%)** | **19,2** | 10,4 |

# SA REIT BEST PRACTICE DISCLOSURES (NON-IFRS MEASURES) continued

## COST OF DEBT

| | Unaudited 12 months ending 30 June 2021 % | Unaudited 12 months ending 30 June 2020 % |
|---|---|---|
| | **South Africa** | |
| **Variable interest-rate borrowings** | | |
| Floating reference rate plus weighted average margin | **6,05** | 5,91 |
| **Pre-adjusted weighted average cost of debt** | **6,05** | 5,91 |
| **Adjustments:** | | |
| Impact of interest rate derivatives | **0,94** | 3,45 |
| Impact of cross-currency interest rate swaps | **(1,56)** | (0,86) |
| **All-in weighted average cost of debt – ZAR** | **5,43** | 8,49 |
| | **United Kingdom** | |
| **Variable interest-rate borrowings** | | |
| Floating reference rate plus weighted average margin | **2,16** | 2,55 |
| **Pre-adjusted weighted average cost of debt** | **2,16** | 2,55 |
| **Adjustments:** | | |
| Impact of interest rate derivatives | **0,43** | 0,51 |
| Impact of cross-currency interest rate swaps | **0,78** | 0,14 |
| **All-in weighted average cost of debt – GBP** | **3,38** | 3,20 |

## SA REIT LOAN-TO-VALUE

| | Unaudited 12 months ending 30 June 2021 R'000 | Unaudited 12 months ending 30 June 2020 R'000 |
|---|---|---|
| Gross debt | **1 407 610** | 2 082 822 |
| *Less:* | | |
| Cash and cash equivalents | **(360 085)** | (142 191) |
| *Add/less:* | | |
| Derivative financial instruments | **(14 722)** | (82 139) |
| **Net debt** | **1 032 803** | 1 858 492 |
| Total assets – per statement of financial position | **3 642 134** | 4 208 089 |
| *Less:* | | |
| Cash and cash equivalents | **(360 085)** | (142 191) |
| Derivative financial assets | **–** | – |
| Trade and other receivables | **(38 936)** | (44 222) |
| **Carrying amount of property-related assets** | **3 243 113** | 4 021 676 |
| **SA REIT loan-to-value ("SA REIT LTV") (%)** | **31,8** | 46,2 |

# CORPORATE INFORMATION

## TEXTON PROPERTY FUND LIMITED

Incorporated in the Republic of South Africa
Registration number: 2005/019302/06
A REIT, listed on the JSE Limited
JSE share code: TEX
ISIN: ZAE000190542

## PHYSICAL AND REGISTERED ADDRESS

Block D, Vunani Office Park
151 Katherine Street, Sandton 2031
PO Box 653129, Benmore 2010

## BOARD OF DIRECTORS

MA Golding *(Non-executive chairman)*
JR Macey *(Lead independent non-executive)*
HSP Welleman* *(Chief executive officer)*
PM Hack* *(Chief financial officer)*
AJ Hannington *(Independent non-executive)*
S Thomas *(Independent non-executive)*
W van der Vent *(Independent non-executive)*
RA Franco *(Non-executive)*

* *Executive directors.*

## COMPANY SECRETARY

Motif Capital Partners
The Link, 1st Floor, 173 Oxford Road
Rosebank 2196

## AUDITOR

BDO South Africa Inc.
6th floor, 123 Hertzog Boulevard
Foreshore, Cape Town 8001

## SPONSOR

Investec Bank Limited
100 Grayston Drive
Sandton 2031

## TRANSFER SECRETARY

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



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