TEXTON

PROPERTY FUND

CONDENSED CONSOLIDATED UNAUDITED INTERIM RESULTS

for the six months ended 31 December 2021
and decleration of a cash dividend

Bryanston Gate Office Park

KEY METRICS

DIRECT PROPERTY PORTFOLIO VALUE* **R3,268 billion**	**INDIRECT PROPERTY INVESTMENTS** **R189,2 million**
PORTFOLIO BY GROSS LETTABLE AREA ("GLA")* **288 342m^2** (38 PROPERTIES)	**LOAN-TO-VALUE ("LTV") RATIO#** **31,2%**
CORE PORTFOLIO VACANCIES^ **14,6%**	**NET ASSET VALUE ("NAV")** **603,32 cents per share**
INVESTMENT PROPERTY INCOME **R172,1 million**	**INTEREST COVER RATIO ("ICR")@** **2,4 times**
DIVIDEND PER SHARE **10,00 cents per share**	**DISTRIBUTABLE INCOME PER SHARE** **12,39 cents per share**

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

^ *Core vacancy data excludes properties held for sale.*

\# *Calculated according to REIT Best Practice Recommendations ("BPR") 2019 second edition guidelines.*

@ *Texton's strictest bank covenant is an ICR of 2,0 times and a LTV of 50% – Texton's covenants are in compliance with all its funders.*

COMMENTARY

ABOUT TEXTON

Texton is a JSE Limited ("JSE")-listed real estate investment trust ("REIT") that offers shareholders access to global direct and indirect real estate investments which aim to deliver sustainable, risk-adjusted returns. Our direct property portfolio is valued at R3,3 billion as at 31 December 2021 (2020: R4,2 billion) and our indirect property investments amount to R189,2 million (2020: nil). The direct property portfolio includes commercial, industrial and retail properties, as well as a 50% share in Broad Street Mall.

Texton is focused on robust and disciplined capital allocation. We are strategically reinvesting heavily into our direct property investments which are in centralised nodes in both South Africa ("SA") and the United Kingdom ("UK") and deploying capital into high-quality property investments in developed markets with best-in-class partners.

PERFORMANCE FOR THE PERIOD ENDED 31 DECEMBER 2021

The strategic focus of Texton over the past six months has been a multi-pronged approach:

- Generating capital from our asset disposal programme and improving our borrowing facilities, this provides us with a flexible and strong balance sheet to deploy capital in terms of our capital allocation strategy
- Allocating the capital we have been able to recycle from our asset disposals and improved borrowings by (i) investing in our existing properties to reposition and repurpose them to make them fit for purpose post the COVID-19 pandemic; and (ii) thematically investing offshore across different asset classes with best-in-class real estate asset managers that will generate sustainable and compelling risk-adjusted returns
- Developing and strengthening our team to deliver on these business' objectives.

Texton has delivered on these objectives during the period under review. We disposed of assets for a total of R398,4 million (December 2021: R138,5 million); the majority of these assets were sold at or above their book values. We simplified our offshore structures and debt significantly. This enabled us to refinance our UK debt which allowed us to draw down £2,8 million for further capital deployment. Our balance sheet remains highly robust and flexible; Texton's LTV[1] profile has further improved to 31,2%.

Texton invested R20,2 million into its local portfolio, which is the highest investment in the past several years and testament to our commitment to unlock our local earnings potential. The need to repurpose and reposition our properties is of utmost importance to all stakeholders. We have seen pleasing results from these investments in the form of increased letting of spaces that were previously obsolete.

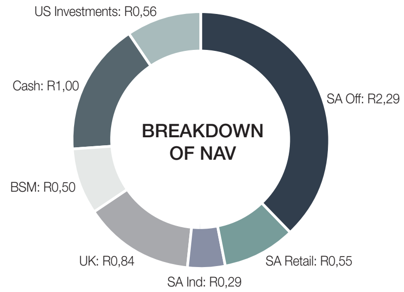
Texton invested R189,2 million ($11,4 million) into two investments in the United States of America ("USA" or "US"). These are the first of our indirect property investments. We expect these investments to return consistent stable income dividends with the potential for future capital upside.

Texton completed the internalisation of its property management function at the start of this reporting period. This internalisation allows us to directly manage our properties and have direct access to our tenants on a regular basis. We have also significantly strengthened our property skill set and this will be invaluable in allowing us to implement our objective of making our properties relevant for the needs of our tenants, thereby protecting and creating value from our existing assets. During the period under review, we remained committed to our environmental, social and corporate governance ("ESG") objective of protecting and respecting the lives and livelihoods of our employees, contractors and tenants.

The board of directors of Texton ("the board") is pleased to announce that Texton has declared an interim dividend for the six month period ending 31 Dividend 2021.The Dividend payable amounts to 10,00 cents per share after applying a pay-out ratio of 80,7%.

[1] *LTV is calculated based on SA REIT BPR 2019 second edition.*

BREAKDOWN OF NAV PER SHARE



Sectoral profile	Rand per share	% of NAV
South Africa Office	2,29	38,0
South Africa Retail	0,55	9,1
South Africa Industrial	0,29	4,8
UK	0,84	13,9
BSM	0,50	8,3
Cash	1,00	16,6
US Investments	0,56	9,3
	6,03	**100,0**

HIGHLIGHTS

Capital allocation

Direct property investments

- Investments made of R20,2 million in our properties in SA to protect our capital value in a rapidly changing work environment post COVID-19
- Increased investment into our solar-generation capabilities
- Launched Tex-spaces.co.za, an innovative lease offering to SME tenants in SA, which has proven very popular for tenants looking for convenient safe and flexible office space
- Vacancies in our core SA portfolio increased to 16,6% (31 December 2021) from 10,5% (30 June 2021), primarily driven by the non-renewal of Transnet Ports Authority lease, who previously occupied 30 Wellington Road
- Collections in SA remained at a healthy 93%, with our UK portfolio at 100%.

Indirect property investments

- Two investments were made by Texton to provide access to the wider US real estate market, with a bias towards sectors supported by tailwinds; these are principally the multi-family and industrial sectors
  - An initial $4,4 million was invested in Blackstone Real Estate Income Trust iCapital Offshore Access Fund SPC ("BREIT Offshore"), which was increased post period-end to $7,5 million
  - $7,0 million was allocated to Starwood Real Estate Income Trust Offshore Fund SPC ("SREIT Offshore")
- A £2,5 million commitment was made to an ESG-focused last mile logistics fund that specialises in environmentally friendly solutions for the e-commerce sector, focused on the UK and Western Europe
- Two further pipeline investments have been identified by management and we expect to conclude our investments in these funds by 30 June 2022.

Share buyback

- Repurchased 3 004 818 shares at an average cost of R3,14 per share during the period. The total number of shares repurchased since the share buyback programme began now stands at 8 775 381 shares at an average price of R2,78 per share. We will continue to repurchase shares in the market in terms of the approved resolution at our annual general meeting ("AGM").

Capital management

Asset disposal

- Sold and transferred four of the eight properties held for sale as at 30 June 2021; R398,4 million was realised from these sales, which significantly improves the health of our balance sheet. The remaining properties held for sale as at 31 December 2021 have legally binding sales agreements which are subject to the normal conditions for property sales and we expect to conclude these sales before the end of the financial year.

Balance sheet management

- Reduced long-term debt by R127,8 million[2], of which R26,5 million is a permanent decrease in our long-term debt
- Refinanced our UK direct property portfolio, which resulted in £2,8 million being made available for further investments
- Successfully closed out the cross-currency interest rate swap ("CCIRS") at a net foreign exchange loss of R1,6 million
- LTV has improved to 31,2% at period-end
- All entities remain within interest cover and LTV covenants
- Texton has R342 million cash on hand, excluding cash available in debt facilities.

Operational excellence

- Successfully integrated the property management team into the Texton head office structure, providing a direct line of communication with tenants and enhancing our ability to react to customer requirements and improve servicing
- Our internal leasing team successfully concluded 35 (December 2020: 37) new leases with a combined GLA of 8 122m² (December 2020: 9 234m². We expect to better last year's record number of leases signed for the full year
- Further solar projects have been approved to continue the greening of our portfolio and improve cost efficiencies.

Distributable earnings

Total distributable income, for the period ended 31 December 2021, amounted to R42,3 million[3] (December 2020: R98,1 million), representing a 55,9% decrease in distributable income per share.

[2] *Including funds paid into the committed revolving credit facility ("RCF").*

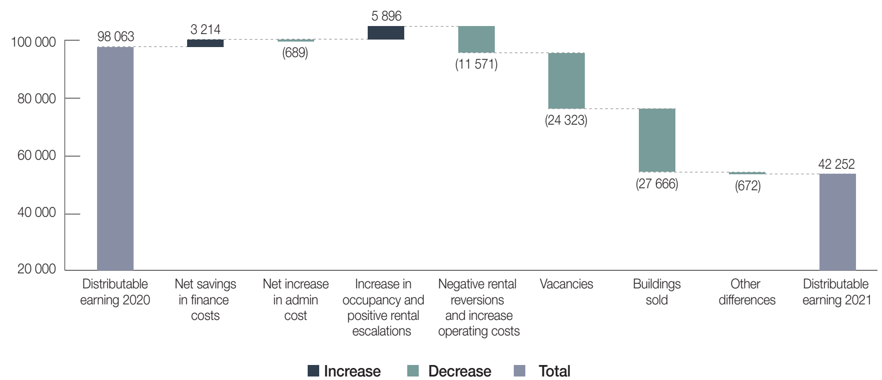
[3] *Before Texton implemented a payout ratio.*

Calculation of distributable earnings

	Six months ended 31 December 2021 R'000	Six months ended 31 December 2020 R'000	Variance %
Revenue	**172 070**	243 330	(29,3)
Impairment losses on tenant debtors	**(112)**	(2 998)	96,3
Property expenses	**(75 722)**	(83 544)	9,4
Other income	**2 341**	409	472,4
Administrative expenses	**(19 392)**	(16 650)	(16,5)
Depreciation and amortisation*	**2 549**	496	413,9
Net finance costs	**(37 874)**	(41 088)	7,8
– Finance income	**9 681**	33 427	(71,0)
– Finance cost	**(47 555)**	(74 515)	36,2
Taxation	**–**	(2 090)	–
Distribution of realised foreign exchange (loss)/gain	**(1 608)**	198	(912,1)
Total distributable earnings	**42 252**	98 063	(56,9)
Distributable income per share (cents)	**12,39**	28,07	(55,9)
Payout ratio adopted for year-end	**80,7**	–	–
Dividend payable to shareholders (R'000)	**34 110**	–	–
Number of shares in issue net of treasury shares ('000)	**341 095 683**	349 394 553	(2,4)
Dividend per share (cents)	**10,00**	–	–

* *Non-cash items*

The sale of properties over the period, and the non-renewals of large office tenants, have resulted in earnings coming under pressure. Distributable income has decreased to 12,39 cents per share compared to 28,07 cents per share (December 2020), which is a decrease of 55,9%. The table below shows the high-level breakdown of the movement in our earnings.



Property income analysis

Net property income per region and sector[4]

	Six months ended 31 December 2021 Rm	Six months ended 31 December 2020 Rm	Variance %
Investment property income	**172,1**	243,3	(29,3)
South Africa	**152,6**	202,7	(24,7)
Office	**101,8**	154,9	(34,3)
Industrial	**16,6**	17,6	(5,7)
Retail	**34,2**	30,2	13,2
United Kingdom	**19,5**	40,6	(52,0)
Office	**3,1**	2,1	47,6
Industrial	**12,7**	24,5	(48,2)
Retail	**3,7**	14,0	(73,6)
Property expenses	**(75,9)**	(86,5)	12,3
South Africa	**(74,9)**	(85,0)	11,9
Office	**(50,7)**	(62,3)	18,6
Industrial	**(9,2)**	(10,2)	9,8
Retail	**(15,0)**	(12,5)	(20,0)
United Kingdom	**(1,0)**	(1,5)	33,3
Office	**(0,1)**	(0,3)	66,7
Industrial	**(0,6)**	(0,8)	25,0
Retail	**(0,3)**	(0,4)	25,0
Net property income	**96,2**	156,8	(38,6)

Texton's **overall investment property** income decreased by 29,3% to R172,1 million, driven predominantly by:

- the sale of buildings in the UK
- large vacancies in the SA portfolio
- negative rental reversions on the renewal of leases to retain tenants in the office portfolio.

On a like-for-like basis, our SA portfolio income was 25,2% lower than the comparative period. The significant drivers of this decreased income are large vacancies at our single-tenanted office buildings which were vacated by tenants at the expiry of their leases. The UK portfolio, on a like-for-like basis in GBP, is 3,7% higher and is expected to increase as our positive rental reviews start to have an effect on income.

SA investment property income decreased by 24,5%. Our portfolio is heavily weighted towards the office sector and this sector has been the worst affected by the COVID-19 pandemic. Corporates have had to deal with the double blow of a slowing economy and embracing a "work-from-home" strategy to ensure legal compliance with the social distancing requirements in the workplace. These factors have resulted in our office portfolio experiencing higher vacancies and until the economy starts to grow at a meaningful pace, vacancies will remain high.

Overall UK property income decreased by 52,0% due to the sale of our properties B&Q Cambourne, DHL Bawtry, Poundland Nottingham and Browne Jacobson Nottingham. On a like-for-like basis, income is 3,7% higher and this is expected to increase as our rental review begins to take effect, specifically on our Booker warehouse property where we successfully negotiated a 20% increase in rental.

[4] *Excludes the straight-line rental adjustment.*

Property expenses decreased by 12,3% as a result of improved cost controls and the sale of assets. On a like-for-like basis[5], **property expenses** decreased by 9,4% in SA and by 14,0% in the UK. The majority of these savings were achieved in SA and are a combination of tighter cost controls, office tenants not using utilities due to working from home during the COVID-19 pandemic and higher office vacancies than in the prior year. Our UK portfolio's cost savings are a result of improving our cost efficiencies on our property management contract in the UK.

The combined effects of the above resulted in overall **net property income** being 38,6% lower than last year. On a like-for-like basis[5], the SA portfolio is 29,0% lower than last year, and the UK is 4,5% higher in GBP.

Administration expenses increased by 16,5% to R19,4 million compared to R16,7 million in the comparative period. The increase is a direct result of an increase in headcount due to the internalisation of property management and significant once-off professional fees incurred in the onshoring of the UK portfolio. Management remains acutely aware of the need to retain extreme cost control measures at an administrative level. The internalisation of the property management company and onshoring the UK portfolio will also bring cost savings in the medium term.

Net finance costs decreased by 7,8% as a result of **finance expenses** decreasing by 36,2%, largely due to the repayment of debt from the sale of properties, the current lower interest rate environment and various interest rate swaps which reached maturity that were not renewed. This decrease was partially offset by **finance income** decreasing by 71,0% due to the finalisation of the close out of Texton's CCIRS.

A foreign exchange loss of R1,6 million was recognised due to the weakening of the Rand over the period. The loss is as a result of the closure of the CCIRS.

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

DIRECT PROPERTY PORTFOLIO

SA direct portfolio

SA portfolio sectoral profile

Sector	December 2021 GLA %	December 2021 Value %	December 2020 GLA %	December 2020 Value %
Office	**62,8**	**74,2**	63,1	74,9
Retail	**12,3**	**17,0**	12,3	16,7
Industrial	**24,9**	**8,8**	24,6	8,4
	100,0	**100,0**	100,0	100,0

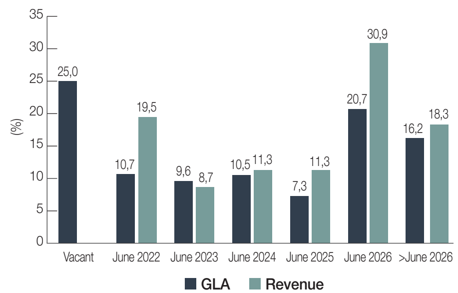
GLA reconciliation

	GLA m²
Balance as at 30 June 2021	**249 328**
Disposals	**(3 059)**
Acquisitions/extension	**–**
Remeasurements	**(82)**
Balance as at 31 December 2021	**246 187**

Texton's directly held portfolio in SA comprises 33 properties (June 2021: 35 properties) measuring 246 187m² (June 2021: 249 328 m²). 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 had to deal with the combination of lower business growth and having to embrace a remote working environment to keep their employees safe. Most corporates have not fully returned to the office and are still evaluating their space requirements post the COVID-19 pandemic.

Performance

SA expiry profile



Net property income year-on-year

	Office Rm	Retail Rm	Industrial Rm	Total Rm
31 December 2021				
Investment property income	**101,8**	**34,2**	**16,6**	**152,6**
Property expenses	**(50,7)**	**(15,0)**	**(9,2)**	**(74,9)**
Net property income	**51,1**	**19,2**	**7,4**	**77,7**
Gross cost-to-income ratio	**49,8**	**43,9**	**55,4**	**49,1**
Net cost-to-income ratio	**37,0**	**25,6**	**35,1**	**36,4**
31 December 2020				
Investment property income	154,9	30,2	17,6	202,7
Property expenses	(62,3)	(12,5)	(10,2)	(85,0)
Net property income	92,6	17,7	7,4	117,7
Gross cost-to-income ratio	40,2	41,4	58,0	41,9
Net cost-to-income ratio	25,9	21,1	40,6	26,4
30 June 2021				
Investment property income	276,0	62,8	41,2	372,4
Property expenses	(107,4)	(31,5)	(19,3)	(207,2)
Net property income	168,6	31,3	21,9	228,4
Gross cost-to-income ratio	38,9	50,2	46,8	47,6
Net cost-to-income ratio	25,6	40,7	25,0	32,8

Office sector

Total income has declined by R53,1 million compared to the same period last year. This decline is primarily driven by vacancies and negative rental reversions, as previously explained in this report.

The drop in income has been offset by a moderate decrease in property expenses, which has decreased R11,6 million compared to the same period last year. There have been two major contributors to the decrease in property expenses: (i) there has been lower utility usage in our occupied properties as our properties are less occupied due to the work-from-home approach taken by our tenants; (ii) our vacancies have increased in our office portfolio due to non-renewal of leases.

On a total basis, net property income has decreased by R41,5 million, or 44,8%, primarily driven by the increase in vacancies in our office portfolio as our large corporate tenants have consolidated there office space. Texton is optimistic that office vacancies should start to improve.

We have been working hard with our prospective tenants to provide them with office space that is innovative, with access to good amenities and is conducive to a collaborative working environment.

Retail sector

Income increased by R4 million compared to the prior reporting period, primarily due to improved occupancy in our retail portfolio which has outweighed the minor rental reversions to tenants on the renewal of leases.

We made it a key objective to enhance relationships with our brokers and tenants and these relationships have resulted in much-improved leasing in our retail portfolio. Our retail centres have proven highly resilient to the COVID-19 restrictions that were implemented in SA and the civil riots that occurred in July 2021 in KwaZulu-Natal and Gauteng.

Operating expenses increased by R2,5 million as a result of trade increasing at our centres and the increased municipal rates and utility costs incurred at our properties. Two of the three retail centres that Texton owns have solar power panels installed, which resulted in a reduced cost of electricity. We are looking at tools to continue to reduce and improve our cost-to-income ratios.

Net property income increased by R1,5 million, or 8,5%, which is a pleasing result considering the environment and headwinds that retail centres have faced over the past six months in SA.

Industrial sector

Total income largely remained flat in the industrial portfolio due to the sale of properties. Our income on a like-for-like basis has increased by R2 million as a result of improved occupancy levels at our industrial parks and being able to get positive rental reversions on our leases when they expired.

Property expenses increased by R1 million across the industrial portfolio, which was predominately driven by the increase in municipal rates and utility costs including a significant increase in the municipal rates at Alrode Industrial Park. Texton has engaged a consultant to assist in objecting to current municipal valuations which are in excess of our current book values. On a total basis, net property income is unchanged year-on-year.

VACANCY

Total vacant GLA amounted to 61 566m^2 (June 2021: 54 350m^2), an increase of 7 216m^2 during the period under review. This translates to a total vacancy of 25,0% (June 2021: 21,8%) in SA, of which office vacancy accounts for 98% (June 2021: 95%) of the vacant GLA.

Two large vacancies of single-tenanted buildings account for a significant portion of the vacancy in our portfolio. Texton's largest vacancy is 12 Laub Street (27 450m^2) which was vacated by Edcon Limited during their business rescue process in November 2020. A sale contract has been signed for the building and we expect that the property will transfer before 30 June 2022. The other significant vacancy is located at 30 Wellington Road (10 019m^2) which was previously occupied by Transnet Ports Authority. Transnet Ports Authority did not renew their lease on expiry and vacated the property on 1 September 2021. We have started a redevelopment process for the property to make it fit for purpose and aim to commence development at the property from 1 July 2022.

In addition to the two significant vacancies above, ABSA vehicle finance and Babcock engineering consolidated there office space resulting is 6 872m^2 becoming vacant during the period under review.

Core vacancy analysis

Excluding buildings held for sale on 31 December 2021

Sector	Six months ended 31 December 2021 GLA m^2	12 months ended 30 June 2021 GLA m^2	Six months ended 31 December 2020 GLA m^2
Total vacancy	**61 566**	54 350	55 680
Properties held for sale	**(32 913)**	(32 221)	(35 778)
Core vacancy	**28 653**	22 129	19 902
Core GLA	**172 178**	210 691	209 817
Core vacancy (%)	**16,6**	10,5	9,5

Letting activity

SA had to contend with two waves of the COVID-19 pandemic during the period under review, causing significant damage to the business confidence of office occupiers and many corporates that planned a return to office had to postpone their plans. These waves caused some disruption to our business and, as a result, our letting performance, while pleasing, was not as strong as we expected it to be. Texton successfully concluded 35 (December 2020: 37) new leases with a combined GLA of 8 122m² (December 2020: 9 234m²) during the period under review.

Historically, Texton's office portfolio had high risk exposure to large single-tenanted buildings. Given the structural challenges faced across corporate South Africa, further exacerbated by COVID-19, large corporates have scaled back operations and reduced their office footprint. The past 24 months have been characterised by large scale space consolidation by businesses, adding additional stock to an already oversupplied market. Texton had first-hand experience as our largest single-tenant exposures cancelled leases early or fail to renew on expiry.

We expect this consolidation to continue for the foreseeable future. In response, we have shifted our letting strategy to focus on providing a tenant-centric offering, targeting small to medium enterprises ("SMEs"). SMEs represents a large portion of business activity within the South African economy, employs majority of the work force, and is making a meaningful contribution to job growth. We are investing heavily in the reconfiguration of large and obsolete office space, into smaller units that provides SMEs with the space and services to support their growing business. In addition, we successfully launched the pilot programme of Tex-space.co.za and aim to continue the roll-out across our office parks.

The implementation of our SME strategy will result in a larger tenant base, diversified cash flows and reduced overall portfolio risk.

Retention

	Expiring GLA m²	Renewed GLA m²	Retention %	Reversion on retained GLA %
Office	**14 891**	3 481	23*	(17,4)
Retail	**4 727**	4 727	100	(3,3)
Industrial	**1 023**	1 023	100	2,8
	20 641	9 231	45	(9,0)

* *The office retention rate excluding the Transnet Ports Authority lease at 30 Wellington Road was 71%.*

Texton's focused hands-on letting and renewal activity over the year has resulted in the weighted average lease expiry of the SA portfolio remaining constant at 3,15 years (December 2020: 3,20).

Texton's rental collection has remained robust over the period under review as the internalisation of the property management function has allowed our team to engage directly with tenants on a daily basis. This has resulted in much-improved tenant-landlord relationships.

Rental collection across the portfolio was 93,5% (December 2020: 98,1%). The comparative decrease is largely related to a single office tenant that absconded during the period under review; legal proceedings have been initiated against the tenant.

Civil unrest in July

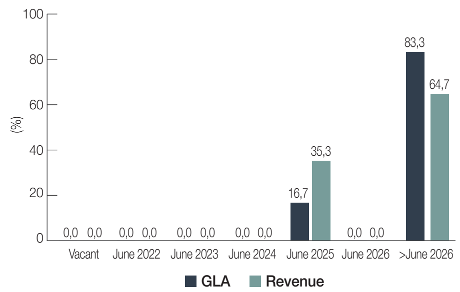
Our retail property known as "Goldurb", located at 381 – 389 Doctor Pixley Kaseme Street, Durban CBD, KwaZulu-Natal, was looted and shopfronts were damaged. Fortunately, there was no structural damage to the building. Cleaning and repairs of the building have taken place and all tenants were trading 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, and our insurance claim on the building was paid out in November. The property is currently classified as held for sale and is expected to transfer before 30 June 2022.

United Kingdom

UK portfolio sectoral profile

Sector	December 2021 GLA %	December 2021 Value %	June 2021 GLA %	June 2021 Value %
Office	**–**	**–**	16,0	22,3
Retail	**7,5**	**9,1**	18,6	28,1
Industrial	**92,5**	**90,9**	65,4	49,6
	100,0	**100,0**	100,0	100,0

UK expiry profile



Overview and market background

The UK economy continues to recover, although progress slowed at the end of 2021 due to the Omicron variant which disrupted activity in pandemic-sensitive sectors. Persistent high inflation in the UK resulted in the Bank of England raising interest rates to 0,5% and further increases are expected in the borrowing rate over the year.

Wholly-owned portfolio

The performance of the UK portfolio has remained strong, delivering a solid income return and capital value uplifts being proven by premium pricing achieved on sales of assets over the period.

The rationalisation of the portfolio continued in the six months under review with a further two successful transactions: B&Q in Camborne was sold for £8,96 million and the Browne Jacobson office in Nottingham was sold for £9,4 million. The prices achieved reflected the marked-up 2021 book values, representing a 11% premium to the 2020 values.

The remaining properties comprise three industrial assets representing 91% of the value and one retail warehouse. Both sectors have seen exceptional investor demand in 2021, underpinning the liquidity and security of the residual portfolio. Income collection has remained at 100%, reflecting the strength and pandemic resilience of our tenants.

In December, we successfully completed a restructuring of the UK business, transferring the ownership of the remaining four assets to a new UK-domiciled company, signed an amended facility agreement with HSBC to accommodate the new single borrower and increased the LTV rate on the four remaining properties to 55%, releasing additional capital for deployment. The restructure paves the way for liquidation of the remaining British Virgin Islands companies and the removal of the offshore administration costs that were needed to run the previous structure.

Broad Street Mall

Broad Street Mall is a strong mixed-use property with a community-based tenant mix, flexible office space and an approved development plan to develop residential apartments with a hotel on the property.

The trading environment improved significantly during the past six months, but the Omicron variant created a further challenge and led to reduced consumer outings and the reintroduction of work-from-home guidance.

Footfall is back to approximately 90% of 2019 levels, but average spend has increased; our anchor tenants are achieving turnover comparable to 2019 volumes. Rental collection at the property has been strong relative to average performance in the retail sector. The Broad Street Mall results compare favourably at 93,5% for rent and 91,8% for service charges.

Negotiations to sell the group's interest in the property are ongoing, with strong interest from several investors. We will provide an update to the market when more information is available in this regard.

INDIRECT PROPERTY INVESTMENTS

Texton has broadened its investment mandate and strategy to include investments into indirect property investments. Over time we aim to construct a portfolio of investments that includes investments across the risk spectrum of real estate investments which are classified as core, core plus, value add and opportunistic. Texton expects strong growth in development markets, which have benefited from significant stimulus injections from government organisations. These economies are further benefiting from pent-up consumer demand as employees return to the office and resume their regular spending habits.

The combination of our direct and indirect property investments will provide our shareholders with a quality-underlying investment portfolio that is expected to generate sustainable risk-adjusted returns.

Texton has deployed $11,4 million (R189,2 million) into property investments located in the USA with best-in-class asset managers. These investments have been made into core property investments which provide our shareholders with stable income at an attractive yield. The underlying investment properties that underpin the returns in these funds are predominantly multi-family and industrial properties, both of which have strong tailwinds support.

Texton has also made a £2,5 million commitment to an ESG-focused last mile delivery fund which will focus its investments into the UK and Western Europe. After 31 December 2021, an initial £300 000 was invested into the fund; the remaining £2,2 million will be called for over the investment period. This investment forms part of our allocation to opportunistic investment holdings.

We expect to make two further investments in the second half of the 2022 financial year.

CAPITAL MANAGEMENT

A key pillar of Texton's strategy is to maintain a strong balance sheet. We have strengthened our balance sheet during the period under review by recycling assets and refinancing debt facilities, resulting in a reduction in LTV from 31,5% as at 30 June 2021 to 31,2% as at 31 December 2021.

Our robust balance sheet enables us to have the flexibility we require to complete our stated strategic deployment objectives.

Recycling of capital

Asset disposal

Eight properties were accounted for as held for sale as at 30 June 2021. Four of these properties were successfully transferred during the period under review and the R398,4 million realised from these asset sales was used to reduce debt and will be deployed into new investment opportunities.

A further three assets were added to our asset disposal list during the period under review. The largest of these assets relates to the sale agreement that was concluded on the Foretrust and Loop Street properties. These assets are located in Cape Town and are leased to the Department of Public Works. The properties collectively represent 19,0% and 22,7% of the SA portfolio's value and net operating income, respectively. The size of the assets results in a disproportionate concentration of the portfolio being invested in one location. This concentration risk is offset by a strong lease covenant with government tenants and a weighted average lease expiry of 3,7 years. The sale agreements provide Texton with the opportunity to sell the properties at an attractive price to current book value and secure a profitable exit.

The table below provides further details on the asset sales.

Asset sales

Sector	Location of property: South Africa	Location of property: United Kingdom	Number of properties	R'000
Balance as at 30 June 2021	6	2	8	505 663
Sold	(2)	(2)	(4)	(398 395)
Properties added to the asset disposal programme	3	–	3	521 000
Change in exchange rates and fair values	–	–	–	(33 653)
Balance as at 31 December 2021	**7**	**–**	**7**	**594 615**

Group borrowings

During the period under review, Texton completed the following treasury transactions in order to optimise its balance sheet and position itself for future growth:

- Converted a R70 million term loan with Investec Bank Limited into a RCF which provides Texton with the flexibility to manage its cash balances more effectively. The RCF is priced at the current prime rate less 80bps
- After the sale of B&Q in Camborne and the Browne Jacobson office in Nottingham, our LTV in the UK dropped to a suboptimal level based on the value of the remaining four assets that we own directly. We successfully restructured the loan with HSBC plc and regeared it to an optimal funding level. The restructured loan allowed Texton to draw down an additional £2,8 million for further capital deployment.

Texton has continued to pay down the debt on the balance sheet. In the year under review, we reduced debt by R127,8 million, of which R26,5 million is a permanent reduction[6].

Total debt outstanding as at 31 December 2021 amounted to R1,3 billion (June 2021: R1,4 billion).

Debt profile

	Six months ended 31 December 2021			12 months ended 30 June 2021		
	ZAR facilities Rm	GBP facilities £m	Total facilities Rm	ZAR facilities Rm	GBP facilities £m	Total facilities Rm
Total debt facilities	**1 139,5**	**12,5**	**1 409,4**	1 166,9	19,2	1 547,0
Total debt drawn	**1 087,2**	**9,2**	**1 296,6**	1 016,9	19,2	1 397,0
Net debt[7]	**1 055,9**	**–**	**953,7**	955,9	4,1	1 036,8
Subject to fixed rates	**300,0**	**10,2**	**520,2**	300,0	29,8	889,2
% hedged on net debt	**28,4**	**–**	**54,5**	31,4	667,3	85,8
% effective interest rate	**7,17**	**2,58**	**6,46**	7,07	2,83	6,03
Weighted average expiry	**2,1**	**3,5**	**1,33**	2,0	4,0	2,5
ICR	**–**	**–**	**2,4**	–	–	3,1

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

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

Loan and swap profile (31 December 2022)

	2022	2023	2024	2025	Total
South Africa					
Loan expiry profile (Rm)	22,5	252,1	413,1	451,5	1 139,2
Hedging profile (Rm)	–	200,0	–	–	200,0
United Kingdom					
Loan expiry profile (GBP'000)	–	–	–	12 517	12 517
Hedging profile (GBP'000)	–	–	10 200	–	10 200
Group					
Loan expiry profile (Rm)	22,5	252,1	413,1	721,7	1 409,4
Hedging profile (Rm)	–	200,0	201,5	–	889,2

Texton decreased its exposure to interest rate swaps to take advantage of the lower interest rates available in the floating market and this provides us with optionality to increase interest rate fixes should there be an opportunity in the near future. On a net debt basis, Texton has decreased its interest rate fixed debt from 85,8% to 54,5%. We will continue to monitor our interest rate risk and will make adjustments to our level of fixed debt in order to minimise this risk.

As at 31 December 2021, Texton has R8,0 million (June 2021: R10,0 million) of unencumbered property.

Cross-currency interest rate swaps

Texton no longer has any exposure to CCIRSs as the risk associated with these instruments was assessed to be too significant. The last remaining CCIRS had a nominal balance of £23,3 million that matured on 2 September 2021, with a close-out cost of R1,6 million.

NAV per share

NAV	31 December 2021 R'000	31 December 2020 R'000	30 June 2021 R'000
Reported NAV attributable to the parent	**2 031 989**	2 072 522	2 120 078
Adjustments:			
Fair value of certain derivative financial instruments	**7 716**	35 283	14 910
Deferred tax	**18 208**	22 324	19 790
Total equity	**2 057 913**	2 130 129	2 154 788
Shares outstanding			
Number of shares in issue at period-end (net of treasury shares) ('000)	**341 096**	349 395	344 280
NAV per share (cents)	**603,32**	609,66	625,88

CURRENCY

The closing exchange rate on 31 December 2021 was R21,59 per £1 (30 June 2021: R19,76 per £1), and the average exchange rate for the period was R20,64 per £1 (December 2020: R19,96 per £1).

STATED CAPITAL AND SHARES REPURCHASED

Texton continues to repurchase its shares in the open market and will do so in terms of the authority that was approved by shareholders at the AGM held on 29 November 2021. The group holds treasury shares via Discus House Proprietary Limited ("Discus House"), a subsidiary of Texton. Discus House purchased 3 004 818 shares during the year under review, bringing the total number of shares held by Discus House to 24 542 735 shares (30 June 2021: 21 537 917).

PROSPECTS AND OUTLOOK

Texton remains in a strong position with a well-capitalised balance sheet, which has sufficient liquidity to deliver on our strategy of being highly disciplined in our capital allocation. Future capital allocation will principally focus on two areas:

- Deploying and investing capital into existing direct properties in order to reposition and repurpose these assets to ensure relevance post the COVID-19 pandemic
- Deploying capital into developed markets with favourable investment themes that are supported by sustainable tailwinds. Our offshore deployment will have a strong bias to a partner-based execution strategy.

The SA macro-economic environment remains severely constrained and unless there are significant changes made by government to provide a platform for economic growth, we cannot expect significant growth to occur in the short term. A stable and consistent electricity provider and improved service delivery will go a long way to improving SA's economic outlook. Texton is heavily exposed to the oversupplied office market in SA and, while we are confident that we can repurpose these spaces to make them relevant in the "new normal", this will take time to deliver returns.

In our SA portfolio, we will continue the roll-out of our small medium enterprise ("SME") strategy aimed at providing a tenant-centric work environment for our country's SME business owners who make a unique and vital contribution to the SA economy. This strategy is primarily focused on investing in our properties to create an environment where these businesses can thrive.

In addition to our SME strategy, significant time and resources will be spent on repurposing large spaces left vacant in our portfolio when large corporates consolidate space. In order to protect capital value, we plan to invest in the repurposing of approximately 13 000m^2 of office space for alternative use.

Our UK direct property investments have proven resilient and provide us with consistent rental income. Post the onshoring and simplification of our UK investment, we expect the cost of managing these investments to decrease and improve overall profitability for Texton.

As we look towards global investment opportunities, the rising inflationary environment will continue to be an important theme for investors to monitor. Inflation has quickened and is expected to remain elevated in the medium term before moderating. Historically, real estate has been a strong performer during inflationary periods, providing an attractive hedge against these price increases. The rising price of goods and services can offer property owners compelling opportunities to increase rentals over time, either through fixed escalation or increases at renewal. In addition, the increase in construction costs will act as a deterrent and will curb supply, which can offer further upside for existing assets which trade at a discount to replacement costs.

Specific sectors within real estate are better positioned than others in an inflationary environment. Texton favours asset classes with shorter duration leases such as multi- and single-family residential and self-storage investments. These sectors have a large, diversified tenant base with shorter lease terms. The tenant churn in these sectors creates an environment that enables landlords to pass through rental increases monthly as leases roll over. This ability to increase rentals as leases churn provides an opportunity for the landlord to pass through above-inflation increases in rental.

Texton has positioned its recent offshore investments with an overweight position towards these asset classes, with a particular focus on multi-family. We have strong conviction in US residential investments as the sector has benefited from solid job growth, accelerating wage growth, increased household formation, surging home values and a lack of available inventory – all of which are forcing tenants to rent longer. The asset class has proven to be highly defensive through economic cycles and provides consistent and predictable cash flow to investors.

Texton anticipates further deployment into sectors and geographies with similar characteristics. These investments will form the cornerstone of our offshore allocation, allowing for scope to opportunistically pursue thematic investments in other sectors with the intention of constructing an offshore portfolio across various asset classes which will in time provide hard currency cash flow with compelling risk-adjusted returns.

There is naturally also risk for real estate during rising inflation periods. Global central banks could move toward increasing interest rates in an effort to curb inflation risk, which, in turn, could result in higher finance costs for landlords who fund real estate with real estate debt. Appropriate hedging strategies will therefore be a key investment criterion when considering any future investment opportunities. Our balance sheet allows us this flexibility and provides us with a solid foundation to grow.

The delivery of our strategy is dependent on our highly skilled management team. Texton has built a strong management team which was solidified with the internalisation of our property management business at the beginning of the reporting period. The property team has deep experience in repurposing properties in SA and we are confident that Texton will be able to reposition its office portfolio into relevant spaces for tenants. Texton also has the experience to deliver on its international expansion through the networks that the executive management and board of directors have developed.

Any forward-looking statements are the responsibility of the directors of Texton and have not been reviewed or reported on by the company's external auditor.

DECLARATION OF A CASH DIVIDEND

Notice is hereby given of a declaration of the gross final cash dividend of 10,00 cents per share for the year ended 31 December 2021 ("cash dividend").

Salient dates and time	2022
Last day to trade *cum* dividend	Tuesday, 5 April
Shares to trade *ex*-dividend	Wednesday, 6 April
Record date	Friday, 8 April
Payment date	Monday, 11 April

Note:

Shares may not be dematerialised or rematerialised between the commencement of trade on Wednesday, 6 April 2022 and the close of trade on Friday, 8 April 2022.

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 (Act 58 of 1962), as amended ("Income Tax Act"). The dividend on the shares will be deemed to be a dividend, for SA tax purposes, in terms of section 25BB of the Income Tax Act.

SA tax residents

The dividend received by or accrued to SA 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 SA tax resident shareholders, provided that the SA 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;
- a written undertaking to inform the CSDP, broker or the company, should the circumstances affecting the exemption change or the beneficial owner ceases 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 above-mentioned 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. Instead, they 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 SA 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 8,00 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 forms 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;
- a written undertaking to inform the CSDP, broker or the company, should the circumstances affecting the reduced rate change or the beneficial owner ceases to be the beneficial owner.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2021

	Unaudited 31 December 2021 R'000	Unaudited 31 December 2020 R'000	Audited 30 June 2021 R'000
ASSETS			
Non-current assets	**2 437 265**	2 895 521	2 712 290
Investment property	**2 025 763**	2 649 541	2 501 365
Property and equipment	**8 404**	3 612	7 448
Tenant installation	**17 356**	6 825	9 093
Investment in joint venture	**172 100**	226 289	167 388
Lease commissions	**7 506**	8 990	8 542
Other receivables	**16 971**	–	18 454
Other financial assets and investments*	**189 165**	264	–
Current assets	**398 445**	168 779	424 180
Trade and other receivables	**38 039**	52 162	38 936
Financial assets	**–**	–	7 143
Income tax receivable	**17 553**	3 419	18 016
Cash and cash equivalents	**342 853**	113 198	360 085
Investment property held for sale	**594 615**	925 477	505 664
Total assets	**3 430 325**	3 989 777	3 642 134
EQUITY AND LIABILITIES			
Total equity	**2 031 989**	2 072 522	2 120 078
Stated capital	**2 819 704**	2 842 473	2 829 221
Accumulated loss	**(698 012)**	(622 454)	(556 100)
Share-based payment reserve	**219**	–	145
Foreign currency translation reserve	**(89 922)**	(147 497)	(153 188)
Non-current liabilities	**1 297 429**	1 741 774	1 373 099
External loans and derivative financial instruments	**1 276 100**	1 716 238	1 350 137
Deferred tax	**18 208**	22 324	19 790
Lease liability	**3 121**	3 212	3 172
Current liabilities	**100 907**	175 481	148 957
External loans and derivative financial instruments	**24 445**	72 959	57 473
Trade and other payables	**72 465**	95 257	87 862
Income tax payable	**3 997**	7 265	3 622
Total equity and liabilities	**3 430 325**	3 989 777	3 642 134

* *Texton invested R189,2 million ($11,4 million) into two investments in the USA These are the first of our indirect property investments.*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 31 December 2021

	Unaudited six months ended 31 December 2021 R'000	Unaudited six months ended 31 December 2020 R'000	Audited 12 months ended 30 June 2021 R'000
Property revenue	**172 547**	237 775	441 693
Investment property income	**172 070**	243 330	444 448
Straight-line rental adjustment	**477**	(5 555)	(2 755)
Impairment losses recognised on tenant debtors	**(112)**	(2 998)	5 010
Direct property costs	**(75 722)**	(83 544)	(159 832)
Net property income	**96 713**	151 233	286 871
Other income	**2 341**	409	714
Administrative expenses	**(19 392)**	(16 650)	(34 641)
Expenses incurred for corporate transactions	**–**	(6 123)	(3 097)
Profit/(loss) from joint venture	**6 675**	(36 909)	(97 862)
Foreign exchange (losses)/gains	**(1 608)**	3 322	(413)
Operating profit	**84 729**	95 282	151 572
Finance income	**9 681**	33 427	59 006
Finance costs	**(47 555)**	(74 515)	(146 668)
Fair value adjustments	**(61 392)**	93 394	130 063
Impairment	**(2 847)**	–	–
(Loss)/profit before taxation	**(17 384)**	147 588	193 973
Taxation	**3 480**	(11 947)	8 022
(Loss)/profit for the period	**(13 904)**	135 641	201 995
Other comprehensive income/(loss):			
Items that may be classified to profit or loss			
Exchange differences on translating foreign operations	**63 266**	(35 859)	(41 550)
Total comprehensive income for the period	**49 362**	99 782	160 445
Profit attributable to:			
Equity holders of the company	**49 362**	99 782	160 445
Earnings per share			
Basic and diluted (loss)/earnings per share (cents)	**(4,06)**	38,82	(57,97)
Headline earnings per share (cents)	**15,43**	11,03	(73,26)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 31 December 2021

	Unaudited six months ended 31 December 2021 R'000	Unaudited six months ended 31 December 2020 R'000	Audited 12 months ended 30 June 2021 R'000
Cash flows from operating activities			
Cash generated from operations	**67 979**	117 157	252 014
Interest received	**13 511**	37 409	60 920
Interest paid	**(51 271)**	(79 605)	(147 273)
Commission paid	**(863)**	(4 434)	(7 083)
Dividends paid	**(128 000)**	–	–
Taxation paid	**–**	(22 501)	(24 765)
Net cash (outflow)/inflow from operating activities	**(98 644)**	48 026	133 813
Cash flows from investing activities			
Additions to investment properties	**(20 194)**	(579)	(8 681)
Additions to plant and equipment	**(1 878)**	(876)	(5 446)
Proceeds on disposal of investment properties held for sale	**398 395**	131 245	692 032
Proceeds on disposal of investment property	**–**	1 198	1 172
Additional investment in joint venture	**–**	(10 926)	(12 977)
Funds received from joint venture	**1 963**	–	–
Funds received on escrow	**466**	–	–
Investment in equity investments	**(175 767)**	–	–
Loans repaid	**–**	306	–
Tenant installation incurred	**(9 890)**	(2 169)	(6 061)
Net cash inflow from investing activities	**193 095**	118 199	660 039
Cash flows from financing activities			
Treasury shares acquired	**(9 517)**	–	(13 252)
Advance of other financial liabilities	**130 000**	–	10 506
Debt structuring fees paid	**(417)**	–	(1 635)
Repayment of other financial liabilities	**(257 880)**	(190 674)	(567 146)
Lease liability payment	**(242)**	(236)	(473)
Net cash outflow from financing activities	**(138 056)**	(190 910)	(572 000)
Net cash (decrease)/increase for the period	**(43 605)**	(24 685)	221 852
Effects of movements in exchange rate changes on cash held	**26 373**	(4 308)	(3 958)
Cash and cash equivalents at the beginning of the period	**360 085**	142 191	142 191
Cash and cash equivalents at the end of the period	**342 853**	113 198	360 085

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 December 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 as at 1 July 2020	2 842 473	(111 638)	–	(758 095)	1 972 740
Total comprehensive income for the period	–	(35 859)	–	135 641	99 782
Profit for the period	–	–	–	135 641	135 641
Exchange differences on translation of foreign operations	–	(35 859)	–	–	(35 859)
Balance as at 31 December 2020	**2 842 473**	**(147 497)**	**–**	**(622 454)**	**2 072 522**
Total comprehensive income for the period	**–**	**(5 691)**	**–**	**66 354**	**60 663**
Profit for the period	**–**	**–**	**–**	**66 354**	**66 354**
Exchange differences on translation of foreign operations	**–**	**(5 691)**	**–**	**–**	**(5 691)**
Total transactions with shareholders recorded directly in equity	**(13 252)**	**–**	**–**	**–**	**(13 252)**
Dividends paid	**–**	**–**	**–**	**–**	**–**
Treasury shares acquired	**(13 252)**	**–**	**–**	**–**	**(13 252)**
Share-based payment transactions	**–**	**–**	**145**	**–**	**145**
Balance as at 30 June 2021	**2 829 221**	**(153 188)**	**145**	**(556 100)**	**2 120 078**
Total comprehensive income for the period	**–**	**63 266**	**–**	**(13 904)**	**49 362**
Loss for the period	**–**	**–**	**–**	**(13 904)**	**(13 904)**
Exchange differences on translation of foreign operations	**–**	**63 266**	**–**	**–**	**63 266**
Transactions with shareholders, recognised directly in equity	**(9 517)**	**–**	**–**	**(128 008)**	**(137 525)**
Dividends paid	**–**	**–**	**–**	**(128 008)**	**(128 008)**
Treasury shares acquired	**(9 517)**	**–**	**–**	**–**	**(9 517)**
Share-based payment transactions	**–**	**–**	**74**	**–**	**74**
Balance as at 31 December 2021	**2 819 704**	**(89 922)**	**219**	**(698 012)**	**2 031 989**

NOTES TO THE CONDENSED CONSOLIDATED UNAUDITED RESULTS

1. BASIS OF PREPARATION

The condensed consolidated unaudited interim financial statements are prepared in accordance with the requirements of the JSE 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 condensed consolidated unaudited interim financial statements are in terms of IFRS and are consistent with those applied in the previous audited consolidated annual financial statements. None of the new standards, interpretations and amendments effective as of 1 July 2021 have had a material impact on the condensed consolidated unaudited interim financial statements.

These condensed consolidated unaudited interim 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).

The directors take full responsibility for the preparation of these condensed consolidated unaudited interim financial statements. These condensed consolidated unaudited financial statements were prepared under the supervision of the chief financial officer, Mr P Hack CA(SA).

2. SIGNIFICANT JUDGEMENT

When preparing these condensed consolidated unaudited interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results. The judgements, estimates and assumptions applied in the condensed consolidated unaudited interim financial statements, including the key sources of estimation uncertainty, are based on historical experience and various other factors that are believed to be reasonable under the circumstances.

3. INVESTMENT PROPERTY

	Unaudited six months ended 31 December 2021 R'000	Unaudited six months ended 31 December 2020 R'000	Audited 12 months ended 30 June 2021 R'000
Reconciliation of movement in investment property			
Balance at the beginning of the period	**2 501 365**	3 149 057	3 149 057
Additions	**20 194**	579	8 681
Straight-line rental adjustment	**477**	(5 555)	(2 755)
Fair value adjustments	**(16 892)**	53 345	80 387
Transfer to investment property classified as held for sale	**(521 000)**	(520 518)	(703 307)
Transfer from investment property classified as held for sale	**–**	37 300	37 300
Disposals	**–**	(1 198)	(1 172)
Foreign currency translation reserve	**41 619**	(63 469)	(66 826)
Balance at the end of the period	**2 025 763**	2 649 541	2 501 365

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. In the preparation of the condensed unaudited interim financial statements, prepared in accordance with IAS 34, the valuations were prepared internally and reviewed by the directors.

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 R2,6 billion (June 2021: R3,0 billion) has been pledged as security for our long term loans. Texton has R8,0 million (June 2021: R10,0 million) of unencumbered property.

3. INVESTMENT PROPERTY continued

South African valuations

Valuation technique

The fair value of each property is determined by calculating its net present value by discounting forecast 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:

	Unaudited six months ended 31 December 2021 %	Unaudited six months ended 31 December 2020 %	Audited 12 months ended 30 June 2021 %
Discount rates used are included below:			
Sector			
Office	**15,25 – 16,75**	14,25 – 16,5	14,25 – 16,00
Industrial	**16,00**	15,5 – 15,75	16,00
Retail	**14,75 – 15,25**	14,75 – 15,25	14,75 – 15,50
Exit capitalisation rates for year five are included below:			
Sector			
Office	**9,75 – 12,0**	9,8 – 11,5	9,75 – 11,25
Industrial	**11,00**	10,5 – 11,0	11,00
Retail	**10,0 – 10,75**	10,0 – 10,5	10,0 – 10,75
The future revenue growth for the five-year projection is included below:			
Sector			
Office	**4,0 – 5,0**	2,0 – 6,0	4,0 – 5,0
Industrial	**5,0**	4,0	5,0
Retail	**5,0 – 8,0**	4,0 – 5,0	5,0 – 8,0

Sensitivity analysis to significant unobservable inputs

	Unaudited six months ended 31 December 2021 R'000	Unaudited six months ended 31 December 2020 R'000	Audited 12 months ended 30 June 2021 R'000
Sensitivity analysis to exit capitalisation rates			
Exit capitalisation rate increases by 1%	**(115 237)**	(109 000)	(113 637)
Exit capitalisation rate decreases by 1%	**115 928**	129 400	115 028
Sensitivity analysis to discount rates			
Discount rate increases by 1%	**(59 075)**	(69 300)	(58 275)
Discount rate decreases by 1%	**63 258**	73 100	61 857
Sensitivity analysis to market rentals			
Market rental decreases by 1%	**(14 793)**	(16 600)	(15 221)
Market rental increases by 1%	**15 671**	16 400	15 283

United Kingdom 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

	Unaudited six months ended 31 December 2021 %	Unaudited six months ended 31 December 2020 %	Audited 12 months ended 30 June 2021 %
Equivalent yields used are included below:			
Sector			
Office*	**–**	6,0 – 8,6	–
Industrial	**5,25 – 6,49**	6,5 – 7,0	5,25 – 6,49
Retail	**8,8**	6,5 – 8,8	8,75
Annual market rentals per square foot used are included below, rounded to nearest 1 000:			
Sector			
Office*	**–**	85,9 – 174,0	–
Industrial	**36,9 – 58,7**	26,7 – 105,4	36,9 – 58,7
Retail	**39,0 – 40,6**	26,1 – 96,7	39,0 – 40,6

* *The UK office portfolio consisted of Mowbray House that was classified as held for sale as at 30 June 2021 and was sold during the period under review.*

3. INVESTMENT PROPERTY continued

United Kingdom valuations continued

Sensitivity analysis to significant unobservable inputs

	Unaudited six months ended 31 December 2021 R'000	Unaudited six months ended 31 December 2020 R'000	Audited 12 months ended 30 June 2021 R'000
Sensitivity analysis to equivalent yields			
Equivalent yield increases by 1%	**(71 566)**	(127 707)	(65 503)
Equivalent yield decreases by 1%	**102 438**	95 529	93 759
Sensitivity analysis to market rentals			
Market rental decreases by 1%	**(2 806)**	(4 022)	(2 569)
Market rental increases by 1%	**3 022**	4 022	2 766

4. INVESTMENT IN JOINT VENTURE

	Unaudited six months ended 31 December 2021 R'000	Unaudited six months ended 31 December 2020 R'000	Audited 12 months ended 30 June 2021 R'000
Balance at the beginning of the year	**167 388**	252 272	252 272
Current period profit/(loss) from joint venture	**6 675**	(36 909)	(97 861)
Funds (received from)/advanced to joint venture	**(1 963)**	10 926	12 977
Balance at the end of the period	**172 100**	226 289	167 388

The group has a 50% (June 2021: 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.

Broad Street Mall was marketed for sale during the period under review. Negotiations to sell the centre are ongoing, with strong interest being shown from several potential buyers.

5. FAIR VALUE ADJUSTMENTS

	Unaudited six months ended 31 December 2021 R'000	Unaudited six months ended 31 December 2020 R'000	Audited 12 months ended 30 June 2021 R'000
Interest rate swap	**7 130**	17 624	30 092
Foreign exchange contract	**(7 143)**	–	7 143
CCIRS	**94**	32 426	39 212
Investment property classified as held for sale	**(48 200)**	(2 713)	(2 203)
Investment property	**(16 892)**	53 345	80 387
Loss on disposal of property	**(1 633)**	(7 288)	(24 568)
Other financial assets – investments in Starwood and Blackstone Funds	**5 252**	–	–
Fair value (loss)/gain for the period under review	**(61 392)**	93 394	130 063

6. EXTERNAL LOANS AND DERIVATIVE FINANCIAL INSTRUMENTS

	Unaudited six months ended 31 December 2021 R'000	Unaudited six months ended 31 December 2020 R'000	Audited 12 months ended 30 June 2021 R'000
Balance at the beginning of the period	**1 407 610**	2 082 822	2 082 822
– non-current	**1 350 137**	1 626 382	1 626 382
– current	**57 473**	456 440	456 440
Advances during the period	**130 000**	–	10 506
Repayments during the period	**(257 880)**	(190 674)	(567 146)
Foreign currency translation reserve movements	**27 186**	(44 742)	(46 167)
Unrealised foreign exchange movements	**–**	(3 422)	(4 727)
Fair value on interest rate swaps	**(7 130)**	(17 622)	(30 092)
Structuring fees amortised during the period	**3 139**	(885)	7 003
Debt structuring fees paid	**(416)**	–	(1 635)
Interest accrual	**(1 870)**	(3 852)	(3 741)
Transfer from other financial assets	**–**	(32 428)	–
Fair value on CCIRS	**(94)**	–	(39 213)
Closing balance at the end of the period	**1 300 545**	1 789 197	1 407 610
– non-current	**1 276 100**	1 716 238	1 350 137
– current	**24 445**	72 959	57 473

6. EXTERNAL LOANS AND DERIVATIVE FINANCIAL INSTRUMENTS

continued

Significant movements during the period under review included the following:

- Repayment of R257,8 million into facilities from proceeds on disposals of properties
- R122 million was drawn down from the Standard Bank RCF for dividend payments
- Converted R70 million of the Investec facility into a rolling credit facility
- Restructured HSBC debt with the UK restructure and the change to SONIA (Sterling Overnight Interbank Average Rate) interest rates.

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 60%
- ICR 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 ICR for the facility must be a minimum of 1,75 times cover
- Projected ICR for the facility must be a minimum of 1,75 times cover
- Projected and historical debt service cover ratios must be a minimum of 1,05 cover
- All covenants applicable to HSBC plc are currently met by Texton.

7. INVESTMENT PROPERTY HELD FOR SALE

	Unaudited six months ended 31 December 2021 R'000	Unaudited six months ended 31 December 2020 R'000	Audited 12 months ended 30 June 2021 R'000
Balance at the beginning of the period	**505 663**	601 293	601 293
Transferred from investment property	**521 000**	520 518	703 307
Transfer to investment property	**–**	(37 300)	(37 300)
Disposals	**(398 395)**	(138 553)	(712 186)
Changes in fair value	**(48 199)**	(2 500)	(2 203)
Loss on disposal on sale of property	**(1 634)**	–	(24 568)
Foreign currency translation reserve	**16 180**	(17 981)	(22 679)
Balance at the end of the period	**594 615**	925 477	505 664

8. FINANCIAL INSTRUMENTS

	Fair value through profit or loss		
	Unaudited six months ended 31 December 2021 R'000	Unaudited six months ended 31 December 2020 R'000	Audited 12 months ended 30 June 2021 R'000
Financial assets			
Investment in joint venture	**172 100**	226 289	167 388
Derivative financial instruments	**–**	–	7 143
Other financial assets and investments	**189 165**	264	–
Financial assets	**361 265**	226 553	174 531
Financial liabilities			
External loans and derivative financial instruments	**7 716**	35 283	14 910
Financial liabilities	**7 716**	35 283	14 910

	Amortised cost		
	Unaudited six months ended 31 December 2021 R'000	Unaudited six months ended 31 December 2020 R'000	Audited 12 months ended 30 June 2021 R'000
Financial assets			
Other receivables	**16 971**	–	18 454
Trade and other receivables	**43 386**	59 906	39 440
Cash	**342 853**	113 198	360 085
Financial assets	**403 210**	173 104	417 979
Financial liabilities			
External loans and derivative financial instruments	**1 292 829**	1 753 914	1 392 700
Trade and other payables	**48 874**	25 391	60 717
Financial liabilities	**1 341 703**	1 779 305	1 453 417

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
31 December 2021				
Assets				
Investment properties	**–**	**–**	**2 025 763**	**2 025 763**
Investment properties held for sale	**–**	**–**	**594 615**	**594 615**
Loan in joint venture			**172 100**	**172 100**
Other financial assets and investments	**–**	**189 195**	**–**	**189 165**
Liabilities				
Interest rate swap	**–**	**7 716**	**–**	**7 716**
31 December 2020				
Assets				
Investment properties	–	–	2 649 541	2 649 541
Investment properties held for sale	–	–	925 477	925 477
Loan in joint venture	–	–	226 289	226 289
CCIRS	–	264	–	264
Liabilities				
Interest rate swap	–	35 283	–	35 283
30 June 2021				
Assets				
Investment properties	–	–	2 501 365	2 501 365
Investment properties held for sale	–	–	505 664	505 664
Investment in joint venture		–	167 388	167 388
Foreign exchange contract	–	7 143	–	7 143
Liabilities				
Interest rate swap	–	14 816	–	14 816
CCIRS	–	94	–	94

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
Other financial assets: Interest in SREIT Offshore	The fair value of the investment is determined with reference to the underlying NAV of the underlying REIT being The Starwood Real Estate Income Trust Inc, a private unlisted REIT. SS&C Technologics Inc, as the administrator of the company, calculates the NAV of each class of shares.	Not applicable	Not applicable
Other financial assets: Interest in BREIT Offshore	The fair value of the investment is determined with reference to the underlying NAV of the underlying REIT being The Blackstone Real Estate Income Trust Inc, a private unlisted REIT. The Bank of New York Mellon, as the administrator of the company, calculates the NAV of each class of shares.	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 3	Refer to note 3	Refer to note 3
Investment in joint venture	The value of the investment is driven by the fair value of the investment property. The property is externally valued each year.	Not applicable	Not applicable

10. EVENTS AFTER THE REPORTING DATE

Payment of dividend

The board of directors of Texton ("the board") is pleased to announce that Texton has declared an interim dividend for the six month period ending 31 December 2021. The dividend payable amounts to 10,00 cents per share after applying a pay-out ratio of 80,7%. In line with IAS10 Events after the Reporting Period, the declaration of the dividend occurred after the end of the reporting period, resulting in a non-adjusting event that is not recognised in the financial statements.

Share buyback

Texton continued to repurchase shares subsequent to the reporting date; 966 750 shares were repurchased at an average price of R3,65. Texton will continue to purchase shares in the open market as per the terms of our AGM resolution alllowances.

Additional investments in Blackstone Investments and Starwood Investments

As reported on SENS on 10 January 2022, Texton's wholly-owned subsidiary in Texton Property Investments UK Limited ("TPI") increased its shareholding in SREIT Offshore Class I shares from \$3,5 million (R55,6 million) to \$7,0 million (R111,2 million).

As reported on SENS on 3 February 2022, Texton's wholly-owned subsidiary in TPI increased its shareholding in BREIT Offshore Class I shares from \$4,4 million (R67,2 million) to \$7,5 million (R113,5 million).

Geopolitical events in Ukraine

Texton has no direct or indirect exposure to properties in Eastern Europe but Texton will continue to monitor the situation to assess the economic fallout of the conflict on our business.

Commitment to an ESG-focused last mile delivery fund

Following the £2,5 million commitment in the fund, subsequent to 31 December 2021, £300 000 was invested into the fund.

11. DIVIDEND PAID

	Unaudited six months ended 31 December 2021 R'000	Unaudited six months ended 31 December 2020 R'000	Audited 12 months ended 30 June 2021 R'000
Dividends paid	**128 008**	–	–

Dividends are paid from income reserves.

12. 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 SA and the UK.

During the six months ended 31 December 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		
	Unaudited six months ended 31 December 2021 R'000	Unaudited six months ended 31 December 2020 R'000	Audited 12 months ended 30 June 2021 R'000
Segmental revenue – rental revenue			
Office	**103 510**	145 045	264 370
Retail	**32 868**	33 426	67 317
Industrial	**16 926**	17 272	36 256
	153 304	195 743	367 943
Profit before tax			
Office	**(10 585)**	29 200	34 421
Retail	**15 437**	20 861	71 623
Industrial	**7 092**	14 042	29 282
Corporate	**(46 310)**	1 210	(48 779)
	(34 366)	65 313	86 547
Total assets			
Office	**1 654 412**	1 824 743	1 721 423
Retail	**379 586**	384 189	382 854
Industrial	**197 873**	209 831	198 564
Corporate	**28 549**	14 887	55 312
	2 260 420	2 433 650	2 358 153
Total liabilities			
Office	**36 855**	36 145	30 319
Retail	**18 962**	16 659	17 992
Industrial	**14 998**	9 201	10 179
Corporate	**1 097 479**	1 150 072	1 039 627
	1 168 294	1 212 077	1 098 117

12. SEGMENT REPORTING continued

	United Kingdom		
	Unaudited six months ended 31 December 2021 R'000	Unaudited six months ended 31 December 2020 R'000	Audited 12 months ended 30 June 2021 R'000
Segmental revenue – rental revenue			
Office	**3 074**	2 051	5 676
Retail	**3 674**	13 967	23 456
Industrial	**12 495**	26 014	44 618
	19 243	42 032	73 750
Profit before tax			
Office	**2 077**	(362)	8 314
Retail	**6 717**	(27 488)	(62 031)
Industrial	**10 021**	94 884	165 304
Corporate	**(1 833)**	15 241	(4 161)
	16 982	82 275	107 426
Total assets			
Office	**79 113**	185 504	186 417
Retail	**278 854**	525 181	408 585
Industrial	**515 600**	842 384	420 352
Corporate	**296 338**	3 258	268 827
	1 169 905	1 556 327	1 284 181
Total liabilities			
Office	**(2 552)**	114 947	95 208
Retail	**23 220**	122 825	113 273
Industrial	**207 741**	463 638	209 672
Corporate	**1 633**	3 768	5 786
	230 042	705 178	423 939

	Total		
	Unaudited six months ended 31 December 2021 R'000	Unaudited six months ended 31 December 2020 R'000	Audited 12 months ended 30 June 2021 R'000
Segmental revenue – rental revenue			
Office	**106 584**	147 096	270 046
Retail	**36 542**	47 393	90 773
Industrial	**29 421**	43 286	80 874
	172 547	237 775	441 693
Profit before tax			
Office	**(8 508)**	28 838	42 735
Retail	**22 154**	(6 627)	9 592
Industrial	**17 113**	108 926	194 586
Corporate	**(48 143)**	16 451	(52 940)
	(17 384)	147 588	193 973
Total assets			
Office	**1 733 525**	2 010 247	1 907 840
Retail	**658 440**	909 370	791 439
Industrial	**713 473**	1 052 215	618 916
Corporate	**324 887**	17 945	323 939
	3 430 325	3 989 777	3 642 134
Total liabilities			
Office	**34 303**	151 092	125 527
Retail	**42 182**	139 484	131 265
Industrial	**222 739**	472 839	219 851
Corporate	**1 099 112**	1 153 840	1 045 413
	1 398 336	1 917 255	1 522 056

13. HEADLINE EARNINGS

	Unaudited six months ended 31 December 2021 R'000	Unaudited six months ended 31 December 2020 R'000	Audited 12 months ended 30 June 2021 R'000
Headline earnings attributable to shareholders			
(Loss)/profit attributable to shareholders	**(13 904)**	135 641	201 994
Gross revaluation of investment property	**16 892**	(53 345)	(89 559)
Gross revaluation of investment property held for sale	**48 199**	2 500	2 203
Gross revaluation of investment property recognised in equity accounted joint venture	**–**	(38 984)	106 903
Loss on sale of property held for sale	**1 633**	(7 288)	24 568
Total tax effects of adjustments	**–**	–	9 172
Headline earnings attributable to shareholders	**52 820**	38 524	255 281
Weighted number of shares	**342 213**	349 395	348 454
Shares in issue	**365 638**	376 067	365 818
Treasury shares	**24 542**	26 672	21 537
Profit/(loss) per share			
Basic and diluted earnings/(loss) per share (cents)*	**(4,06)**	38,82	57,97
Headline and diluted headline earnings per share*	**15,43**	11,03	73,26

* *The conditional shares granted of 416 667 have a dilutive effect on earnings and headline earnings per share and is immaterial.*

14. SUMMARY OF FINANCIAL PERFORMANCE

	Unaudited six months ended 31 December 2021 R'000	Unaudited six months ended 31 December 2020 R'000	Audited 12 months ended 30 June 2021 R'000
Shares in issue and used for dividend calculation ('000)	**341 096**	349 395	341 643
Weighted average number of shares in issue ('000)	**342 213**	349 395	348 454
NAV per share (cents)	**603,32**	609,66	588,43
Basic and diluted profit/(loss) per share (cents)	**(4,06)**	38,82	57,97
Headline and diluted earnings per share (cents)	**15,43**	11,03	73,26
Share price (cents)	**360**	144	325
LTV ratio*	**31,2**	42,9	51,5
Cost-to-income ratios			
Gross property cost-to-income ratio (%)	**44,1**	36,4	34,8
Net property cost-to-income ratio (%)	**30,5**	20,3	19,7
Gross total cost-to-income ratio (%)	**53,3**	42,2	42,6
Net total cost-to-income ratio (%)	**44,4**	28,8	29,3

* *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 disclosure of relevant ratios in the SA REIT sector. This ensures 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 six months ended 31 December 2021 R'000	Unaudited six months ended 31 December 2020 R'000
Profit or loss per income statement	**(13 904)**	135 641
Accounting/specific adjustments	**54 523**	(41 738)
Fair value adjustments to:		
– Investment property	**16 892**	(50 632)
– Debt and equity instruments held at fair value through profit or loss	**(5 333)**	(50 049)
– Investment property held for sale	**48 200**	–
Depreciation and amortisation of intangible assets	**2 549**	500
Asset impairments (excluding goodwill) and reversals of impairment	**(3 828)**	36 909
Gains or losses on the modification of financial instruments	**–**	6 122
Deferred tax movement recognised in profit or loss	**(3 480)**	9 857
Straight-lining operating lease adjustment	**(477)**	5 555
Adjustments arising from investing activities	**1 633**	7 288
Gains or losses on disposal of:		
– Investment property held for sale	**1 633**	7 288
Foreign exchange and hedging items		
Foreign exchange and hedging items:	**–**	(3 128)
Adjustments to amounts recognised in profit or loss relating to derivative financial instruments	**–**	(3 322)
Foreign exchange gains or losses relating to capital items – realised and unrealised	**–**	194
SA REIT FFO	**42 252**	98 063
Number of shares outstanding at the end of the period (net of treasury shares)	**341 096**	349 395
SA REIT FFO cents per share	**12,39**	28,07
Payout ratio (%)	**80,7**	–
Income available for distribution	**34 110**	–
Distributable income per share before payout ratio (cents per share)	**10,00**	–

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

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

	Unaudited six months ended 31 December 2021 R'000	Unaudited six months ended 31 December 2020 R'000
Reported NAV attributable to the parent	**2 031 989**	2 072 522
Adjustments:		
Fair value of certain derivative financial instruments	**7 716**	35 283
Dividend to be declared	**(34 110)**	–
Deferred tax	**18 208**	22 324
SA REIT NAV	**2 023 813**	2 130 129
Shares outstanding		
Number of shares in issue at period-end (net of treasury shares)	**341 096**	349 395
Dilutive number of shares in issue	**341 096**	349 395
SA REIT NAV per share (cents)	**593,32**	609,66

SA REIT COST-TO-INCOME RATIO

	Unaudited six months ended 31 December 2021 R'000	Unaudited six months ended 31 December 2020 R'000
Expenses		
Operating expenses per IFRS income statement (includes municipal expenses)	**75 834**	86 542
Administrative expenses per IFRS income statement	**19 392**	16 650
Exclude:		
Depreciation expense in relation to property, plant and equipment of an administrative nature and amortisation expense in respect of intangible assets	**(2 549)**	(500)
Operating costs	**92 677**	102 692
Rental income		
Contractual rental income per IFRS income statement (excluding straight-lining)	**138 525**	195 214
Utility and operating recoveries per IFRS income statement	**33 545**	48 048
Gross rental income	**172 070**	243 262
SA REIT cost-to-income ratio (%)	**53,8**	42,2

SA REIT ADMINISTRATIVE COST-TO-INCOME RATIO

	Unaudited six months ended 31 December 2021 R'000	Unaudited six months ended 31 December 2020 R'000
Expenses		
Administrative expenses per IFRS income statement	**19 392**	16 650
Administrative costs	**19 392**	16 150
Rental income		
Contractual rental income per IFRS income statement (excluding straight-lining)	**138 525**	195 214
Utility and operating recoveries per IFRS income statement	**33 545**	48 048
Gross rental income	**172 070**	243 262
SA REIT administrative cost-to-income ratio (%)	**11,3**	6,6

SA REIT GLA VACANCY RATE

	Unaudited six months ended 31 December 2021 m^2	Unaudited six months ended 31 December 2020 m^2
GLA of vacant space	**61 566**	55 680
GLA of total property portfolio	**288 342**	324 389
SA REIT GLA vacancy rate (%)	**21,4**	17,2

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

COST OF DEBT

	Unaudited six months ended 31 December 2021 %	Unaudited six months ended 31 December 2020 %
	South Africa	
Variable interest rate borrowings		
Floating reference rate plus weighted average margin	**6,26**	5,83
Preadjusted weighted average cost of debt	**6,26**	5,83
Adjustments:		
Impact of interest rate derivatives	**0,91**	2,80
Impact of cross-currency interest rate swaps	**–**	(2,28)
All-in weighted average cost of debt – ZAR	**7,17**	6,35
	United Kingdom	
Variable interest rate borrowings		
Floating reference rate plus weighted average margin	**2,16**	2,28
Preadjusted weighted average cost of debt	**2,16**	2,28
Adjustments:		
Impact of interest rate derivatives	**0,42**	0,66
Impact of CCIRS	**–**	0,78
All-in weighted average cost of debt – GBP	**2,58**	3,72

SA REIT LOAN-TO-VALUE ("SA REIT LTV")

	Unaudited six months ended 31 December 2021 R'000	Unaudited six months ended 31 December 2020 R'000
Gross debt	**1 300 545**	1 789 197
Less:		
Cash and cash equivalents	**(342 853)**	(113 198)
Less:		
Derivative financial instruments	**(7 716)**	(35 283)
Net debt	**949 976**	1 640 716
Total assets – per statement of financial position	**3 430 325**	3 989 777
Less:		
Cash and cash equivalents	**(342 853)**	(113 198)
Derivative financial assets	**–**	(264)
Trade and other receivables	**(38 039)**	(52 162)
Carrying amount of property-related assets	**3 049 433**	3 824 153
SA REIT LTV (%)	**31,2**	42,9

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 Incorporated
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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purple.frog

TEXTON

PROPERTY FUND

www.texton.co.za