



TEXTON
PROPERTY FUND

SUMMARISED CONSOLIDATED
ANNUAL FINANCIAL RESULTS

for the year ended 30 June
and the declaration of a dividend

2023



*The Grid,
Rivonia Road*



KEY METRICS

<p>DIRECT PROPERTY PORTFOLIO VALUE</p> <p>R2,188 billion</p> <p>(June 2022: R2,606 billion)</p>	<p>INDIRECT INTERNATIONAL PROPERTY INVESTMENTS</p> <p>R598,6 million</p> <p>(June 2022: R485,1 million)</p>
<p>LOAN-TO-VALUE (“LTV”) RATIO#</p> <p>24,9%</p> <p>(June 2022: 37.6%)</p>	<p>CORE PORTFOLIO VACANCIES^</p> <p>15.6%</p> <p>(June 2022: 19.2%)</p>
<p>NET ASSET VALUE (“NAV”)</p> <p>619,37 cents per share</p> <p>(June 2022: 587.28 cents per share)</p>	<p>INTEREST COVER RATIO* (“ICR”)</p> <p>2.22 times</p> <p>(June 2022: 2.1 times)</p>
<p>DISTRIBUTABLE INCOME PER SHARE</p> <p>38,19 cents per share</p> <p>(June 2022: 27,40 cents)</p>	<p>DIVIDEND PER SHARE</p> <p>19,26 cents per share</p> <p>(June 2022: 17,00 cents per share)</p>

^ Core vacancy data excludes properties held for sale for both years under review.

* Texton's Group ICR

Calculated according to the SA REIT Association Best Practice Recommendations 2019 second edition guidelines.

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 R2,2 billion as at 30 June 2023 (June 2022: R2,6 billion) and our international property investment portfolio amounts to R598,6 million (June 2022: R485,1 million).

Texton is focused on robust and disciplined capital allocation. We are strategically reinvesting heavily into our direct property investments which are located 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 asset managers.

PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2023

The macro-environment has been challenging over the period under review. We have witnessed continuous increases in interest rates, persistent inflation, and ongoing load shedding in South Africa. Nevertheless, Texton has remained committed to executing its strategy. This includes investing in our properties, sale of non-core assets, and allocation of capital to offshore assets in developed markets with best-in-class asset management. Despite the industry challenges, we firmly believe in the potential for value creation and opportunities within the global real estate market, which we are confident in unlocking.

We have successfully implemented our Small and Medium Enterprises (“SME”) strategy within our South African office portfolio, resulting in notable success. We intend to expand this strategy across our entire portfolio, as its success is pivotal in maximizing the value of our South African assets. The prevalence of load shedding has prompted many smaller tenants, previously working from home, to seek locations equipped with backup electricity generation. These businesses require stable, secure, and safe environments for operation. While increased load shedding might encourage tenants

to return to office spaces, the costs associated with maintaining backup power generation via solar power and diesel generators are substantial.

The sale of non-core assets has continued throughout this period. We have successfully concluded the sale of non-core assets amounting to R447,3 million. As part of renewing our facilities with Standard Bank, we have effectively negotiated a lower ICR covenant, aligning with our debt extension. Our UK assets have consistently met forecasts, providing us with stable and predictable income.

Texton has continued to invest in its international property investments. In August 2022, Texton finalised a \$5,5 million commitment to GIM Investments PCC Limited for investments to be made into the manufactured housing real estate sector in the United States of America (“USA”). In addition to this investment, we deployed R60,3 million (2022: R442,3 million) during the period.

Overall, Texton has been able to increase its distributable income by 10,79 cents per share to 38,19 cents per share. This is largely a result of investment income increasing as our international investments have started to provide income returns which are expected to increase over the remainder of the 2023 financial year. Our costs, both property and administrative, have been optimised and we have seen savings in both these areas of our business.

DIVIDEND

The Board of directors (“the Board”) is pleased to announce that Texton has declared a final dividend of 19,26 cents per share for the year-ended 30 June 2023 (30 June 2022: 7,00 cents). The total dividend for the year is 19,26 cents (June 2022 : 17,00 cents).

Texton may offer a dividend reinvestment plan as a mechanism to conserve cash for future expansion, which allows shareholders to reinvest their cash dividends into additional shares in the company (“Share Re-Investment Alternative”). Shareholders will be advised by Friday, 6 October 2023 on whether the Share Re-Investment Alternative will proceed.

HIGHLIGHTS

Capital allocation

Direct property investments

- An amount of R12,7 million was allocated towards property investments in South Africa. These investments were directed towards enhancing the properties through capital improvements and tenant upgrades. This initiative aimed to enhance the quality of our assets and align with our SME strategy.
- We have continued to expand our SME strategy by introducing a storage offering to complement our successful Texspace platform. Texspace provides innovative lease options for SME tenants in South Africa and has gained popularity for its flexible A-grade office spaces in our office parks. The addition of storage services marks a new chapter in our business. Phase 1 development has been completed at one of our locations, and we officially opened and commenced operations in August 2023.
- Vacancies within our core South African portfolio have decreased from 22,3% to 18,5%. This improvement can be attributed to robust leasing activities and the disposal of non-core properties with existing vacancies.
- In South Africa, rental collections have remained strong at a rate of 97.8%, while our UK portfolio boasts a 100% rental collection rate.

Indirect international property investments

- \$5,5 million (R103,6 million) was committed to GIM Investments PCC Limited for investments in the manufactured housing restate sector in the USA of which \$440,000 (R8,0 million) has been invested during the year.
- \$5,0 million (R94,2 million) is committed to Cadre, of which \$3,2 million (R58,9 million) (June 2022: \$1,0 million (R17,5 million)) has been invested in seven (June 2022: four) investment properties in the USA with a bias towards multi-family assets.
- £2,6 million (R55,0 million) is committed to a last mile environmental, social and governance ("ESG") logistics fund, of which £1,1 million (R26,6 million) (June 2022: £0,4 million (R8,0 million)) has been invested.

- Texton received dividends of \$402 575 (June 2022: \$211 629) (R8,5 million) (June 2022: R3,2 million) from Blackstone Real Estate Income Trust iCapital Offshore Access Fund SPC ("BREIT Offshore") and \$447 950 (June 2022:\$180 946) (R9,5 million) (June 2022: R2,8 million) from Starwood Real Estate Income Trust Offshore Fund SPC ("SREIT Offshore") during the year.

Share buyback

- General Repurchase
Texton continues to repurchase its shares in the open market and will do so in terms of the authority that was provided by shareholders at the annual general meeting ("AGM") on 29 November 2021 and 30 November 2022. The group holds treasury shares via Discus House Proprietary Limited ("Discus House"), a subsidiary of Texton. Discus House purchased 685 182(2022: 9 449 914) shares during the year under review, bringing the total amount of shares held by Discus House to 31 853 013 shares (2022: 31 159 780). In addition, Texton directly repurchased 2 086 070 shares during the year.
- Specific Repurchase
At the General meeting held on 30 June 2023 a special resolution was passed authorising the repurchase of shares from the Public Investment Corporation ("PIC").
- Texton repurchased 72 129 048 shares at R2.15 from the PIC subsequent to year-end, this represented approximately 19,8% of the total issued share capital. These shares, together with 2 086 070 shares purchased directly by Texton, were cancelled .

Capital management

Asset disposal

- As at 30 June 2022, we had five properties listed as held for sale. During this financial year, three of these properties, along with portions of Wale Street Chambers, were sold. Additionally, two other properties were listed as held for sale and subsequently sold within the year. The combined proceeds from the property sales amounted to R447,3 million. These proceeds were used towards debt reduction, and have enabled Texton to successfully recycle capital to strengthen our balance sheet and invest into repositioning the SA portfolio.

Balance sheet management

- LTV remains healthy at 24,9% at year-end, with all entities remaining within interest cover and LTV covenants.

- We reduced long-term debt by R420,9 million, of which R240,0 million is a permanent decrease in our long-term debt.
- At 30 June 2023, Texton had R280,1 million cash on hand, excluding cash available in debt facilities.

Operational excellence

- Our internal property management team have continued to perform strongly.
- 55 new leases were completed in the current year with a combined GLA of 19 267m², the majority of these leases were leased to SME office tenants in line with our office strategy.
- We increased investment in environmental, social and governance initiatives such as solar power, energy-efficient lighting, boreholes and water pressure management.

Distributable earnings

Total distributable income for the year ended 30 June 2023 amounted to R99,1 million (June 2022: R91,6 million), representing a 8,2% (June 2022: 45,4%) increase in distributable income. Texton has declared a final dividend of 19,26 cents, an increase of 13,3% compared to the prior year.

Calculation of distributable earnings

	June 2023 R'000	June 2022 R'000	Variance %
Revenue	297 855	336 358	(11,4)
Impairment losses on tenant debtors	2 222	(645)	444,5
Property expenses	(116 007)	(144 056)	19,5
Other income	23 164	10 247	126,1
Administrative expenses	(41 406)	(37 405)	(10,7)
Impairment loss on vendor financing	(639)	-	(100,0)
Depreciation and amortisation	10 405	9 812	(6,0)
Net finance cost	(79 129)	(83 167)	4,9
– Finance income	16 976	10 588	60,3
– Finance cost	(96 105)	(93 755)	(2,5)
Taxation	2 673	(496)	638,9
Distribution of realised foreign exchange gain	-	1 001	(100,0)
Total distributable earnings	99 138	91 649	8,2
Distributable income per share (cents)	38.19	27.40	39,4
Dividend per share (cents)	19.26	17.00	13,3

Net property income decreased by R3,6 million, primarily driven by the sale of properties and increased property costs that was offset by higher income through favourable letting activities, rental growth and reduced vacancies. Looking ahead to the 2024 financial year we expect revenue to continue to grow. This positive outlook is underpinned by the ongoing success of our SME strategy, particularly with Texspaces and the roll out of the storage offering. On our direct property expenses, we expect to start seeing a decrease as we roll out solar initiatives and boreholes at selected properties. In addition we will continue to optimise our properties' utility usage and enhance the relationships with our service providers in order to keep costs as low as possible.

Other income saw an increase of R12,9 million due to the income returns from our international indirect property investments. This growth is attributed to holding the investment for a twelve-month period, in contrast to the previous year. Our investments in BREIT and SREIT pay out a monthly dividend, which provides Texton with monthly liquidity. We will continue to deploy capital into our international investments with capital recycled from the sale of non-core direct property.

Administration expenses increased due to inflation.

Net finance costs decreased by 4,9% due to an increase in finance income generated from interest on cash, offset partially by the increase in finance costs. Finance income has increased in the current year due to surplus cash being placed on overnight deposits and interest income on a favourable interest rate swap with HSBC, which expired in May 2023. Finance costs have increased by 2,5% due to the rise in interest rates, however, the cost has remained relatively consistent in comparison to the prior year due to the proceeds from the sale of property being utilised to settle debt.

DIRECT PROPERTY PORTFOLIO

SA direct portfolio

SA portfolio sectoral profile

Sector	June 2023		June 2022	
	GLA %	Value %	GLA %	Value %
Office	86,8	89,3	61,9	73,0
Retail	3,4	7,7	13,3	18,2
Industrial	9,8	3,0	24,8	8,8
	100,0	100,0	100,0	100,0

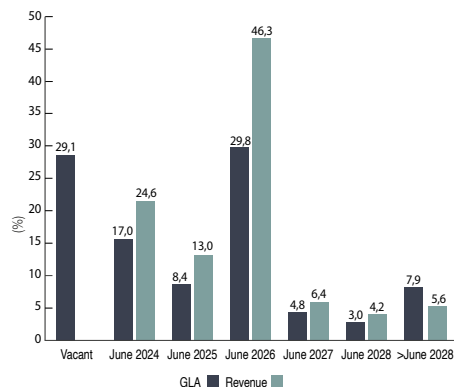
GLA reconciliation

	GLA m ²
Balance as at 30 June 2022	246 948
Disposals	(76 464)
Additions*	5 406
Remeasurements	1 040
Balance as at 30 June 2023	175 930

*Additions relate to additional GLA added from the redevelopment projects at Wellington Road and Belvedere Place.

The directly held portfolio in SA comprises 26 properties (June 2022: 31 properties) measuring 175 930m² (June 2022: 246 948m²). 86,8% of our portfolio in SA consists of offices. This sector continues to face substantial challenges from various factors. These include an oversupply of stock, slow macroeconomic growth and a decrease in business confidence due to increased load shedding.

SA expiry profile



Vacancy and letting

Core vacancy analysis

Excluding buildings held for sale as at 30 June 2022

	June 2023 GLA m ²	June 2022 GLA m ²
Total vacancy	51 196	65 228
Properties held for sale	(27 758)	(32 821)
Core vacancy	23 438	32 406
Core GLA	126 947	142 400
Core vacancy (%)	18,5	22,3

Total vacant GLA at year-end was 51 196m² (June 2022: 65 228m²), which represents a decrease of 14 032m² during the year. This amounts to a total vacancy of 18,5% (June 2022: 22,3%) in South Africa. The majority of the vacancy is largely attributable to our office portfolio.

The decrease in vacancies is largely attributable to our strong leasing of office space on the back of our SME strategy as well as the sale of buildings with large vacancies.

Letting activity

	30 June 2023		30 June 2022	
	GLA m ²	Number of tenants	GLA m ²	Number of tenants
New deals				
Office	13 552	48	11 024	45
Retail	218	3	3 165	4
Industrial	5 497	4	5 418	10
Total	19 267	55	19 607	59

During the 2023 financial year, the South African portfolio faced many challenges namely, slow economic growth, extensive loadshedding and many businesses down sizing or shutting down. Despite these challenges, Texton was able to successfully conclude 55 (June 2022: 59) new leases with a combined GLA of 19 267m² (June 2022: 19 607m²).

Retention

Sector	Expiring GLA m ²	Renewed GLA m ²	Retention %	Reversion on retained GLA %
Office	7 490	6 257	84	(14,3)
Retail	2 173	2 129	98	(2,1)
Industrial*	12 779	7 438	58	(8,2)
	22 442	15 824	71	(8,9)

* The low industrial retention rate was due to tenants vacating as they down sized or moved into their own premises. Majority of these vacancies were filled shortly after the units became vacant.

Texton's weighted average lease expiry ("WALE") remained stable year on year. The shift to offer more flexible rental terms has seen lease terms average between 1 to 3 years. This has resulted in the WALE of the SA portfolio decreasing slightly to 2,67 years from 2,92 years in June 2022.

Rental collections

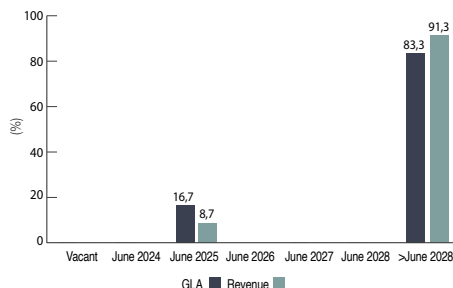
Texton maintained a strong rental collection throughout the year. The in house property management function has allowed the team to have direct daily interactions with tenants leading to a significantly improved tenant-landlord relationship. Rental collections across the portfolio reached 97,8% for the year ended 30 June 2023 (June 2022: 97,0%).

United Kingdom

UK – direct portfolio

Sector	June 2023		June 2022	
	GLA m ²	Value %	GLA m ²	Value %
Office	–	–	–	–
Retail	1 789	11,1	1 789	11,1
Industrial	21 989	88,9	21 989	88,9
	23 778	100,0	23 778	100,0

UK expiry profile



Overview and market background.

Inflation remains persistently high in the UK. In response to this, the Bank of England has made a significant leap in interest rates, moving to 5.25% from a historic pandemic low of 0.1%. In the second quarter of 2023, the UK's economy witnessed a modest growth of 0.2%. Predictions still lean towards further hikes in interest rates, and signs point to sustained high inflation in the near future.

Wholly-owned portfolio

Our wholly-owned portfolio comprises three industrial assets representing 89% of value and one retail warehouse. All our properties in the UK contain inflation-linked increases only and they are triple net leases with a WALE of over seven years. As such, the income from these assets remains resilient and provides predictable income for our shareholders.

The valuations of our UK portfolio has come under pressure due to the rising interest rates and resultant expansion of capitalisation rates. Valuations have decreased from GBP 23,8m to GBP 21,1m. The impact on Texton's NAV was largely offset by depreciation of the ZAR to the GBP.

INTERNATIONAL PROPERTY INVESTMENTS

Texton has continued to construct an investment portfolio that includes investments across the risk spectrum of real estate investments which are classified as core, core plus, value add and opportunistic, to achieve a blended risk-adjusted return in US Dollar ("USD") terms.

During the year, Texton finalised a commitment to GIM Investments PCC Limited for investments to be made into the manufactured housing real estate sector in the USA. This sector provides Texton with a unique opportunity to invest in the development of high-end manufactured housing communities to capitalise on the shortage of affordable housing in the USA. This asset class has proven to operate in a countercyclical fashion with durable cash flows due to its affordability element and a sticky tenant base. This investment is a great example of how Texton is able to source strategic property investments in the USA with best-in-class managers, which are not available to retail investors in SA.

Texton has invested in the USA with five investments, and in the UK with one investment, as set out below.

	Commitment \$'000	Undrawn commitment \$'000	Market value \$'000	Market value R'000
BREIT offshore	12 500	–	12 889	243 273
SREIT offshore	12 000	–	11 750	221 789
Cadre	5 000	1 873	3 048	57 408
PadSplit	2 500	–	2 190	41 250
GIM Investments	5 500	5 060	440	8 305
Total	37 500	6 933	30 317	572 025

	Commitment £'000	Undrawn commitment £'000	Market value £'000	Market value R'000
UK Logistics fund	2 650	1 548	1 110	26 568

CAPITAL MANAGEMENT

A key pillar of our strategy is maintaining a strong balance sheet. We have been able to further strengthen our balance sheet over the year by recycling assets and refinancing debt facilities. Our robust balance sheet enables us to have the flexibility we require to complete our stated strategic objectives. We may also offer a dividend reinvestment plan as a mechanism to conserve cash for future expansion, which allows shareholders to reinvest their cash dividends into additional shares in the company.

As announced on the Stock Exchange News Services ("SENS") on the JSE on 25 May 2023, Texton entered into a repurchase agreement with the Public Investment Corporation ("PIC") to repurchase 72 129 048 Texton shares for a total consideration of R155 077 466.75. This transaction was concluded on 17 July 2023 and funded through available cash in Texton's Rolling Credit Facility ("RCF"). The repurchase is ultimately to the benefit of Texton shareholders in that the delisting of such shares results in the removal of the repurchase shares from the share capital of the Company at an attractive price (i.e. a decrease in the aggregate number of Texton shares from 363 701 103 ordinary shares of no par value to 291 572 055 ordinary shares of no par value. The repurchase is considered an appropriate allocation of capital as the impact of the repurchase and cancellation of the repurchase shares is expected to enhance earnings and net asset value per Texton share.

Recycling of capital

Asset disposal

Texton had five properties accounted for as held for sale on 30 June 2022. During the current year, an additional three properties namely, 35 Morsim Road, Greenstone Building 4 and Alrode industrial park were added to the disposal programme. A total of five properties were sold in the current financial year for a total of R447,3 million. These funds were used to reduce debt related to the assets, and equity released from the sales is being reinvest in the repositioning of our properties and to further manage our debt and interest cost levels.

Of the remaining three assets held for sale, two of these assets have binding sales agreements and the remaining one is being marketed for sale.

The table below provides further details on the asset sales.

Asset sales

	Location of property			Number of properties	R'000
	South Africa	United Kingdom			
Balance as at 30 June 2022	5	–		5	464 900
Sold	(5)	–		(5)	(447 255)
Properties added to the asset disposal programme	3	–		3	104 868
Movement	–	–		–	(26 351)
Balance as at 30 June 2023	3	–		3	96 162

Group borrowings

Texton has continued to pay down the debt on the balance sheet. In the year under review, Texton reduced its debt by R420,8 million, of which R240,0 million is a permanent reduction in debt.

Total debt outstanding as at 30 June 2023 amounted to R980,2 million (June 2022: R1,3 billion).

Debt profile

	June 2023			June 2022		
	ZAR facilities Rm	GBP facilities £m	Total facilities Rm	ZAR facilities Rm	GBP facilities £m	Total facilities Rm
Total debt facilities	898,1	12,5	898,1	1 139,5	12,5	1 387,9
Total debt drawn	680,6	12,5	980,2	1 095,2	12,5	1 343,6
Net debt*	657,6	1,8	700,2	1 069,0	7,7	1 221,4
Subject to fix rates	–	–	–	200,0	10,2	402,5
% hedged on net debt	–	–	–	18,7	132,5	33,0
% effective interest rate	10,77	6,61	9,50	7,44	2,71	6,59

*Net debt is defined as debt less cash and cash equivalents.

Loan and swap profile (30 June 2023)

	2024	2025	2026	2027	2028	Total
South Africa						
Loan expiry profile (Rm)	124,6	–	103,7	452,4	–	680,6
United Kingdom						
Loan expiry profile (£'000)	–	–	12 517	–	–	12 517
Group						
Loan expiry profile (Rm)	124,6	299,6	103,7	452,4	–	980,2

In order to refinance our expiring facilities with Standard Bank, we entered into negotiations with the bank to refinance the expiring facilities on the current terms:

- Facility C was extended by a further 30 months at a margin of 2,10% above the three-month Johannesburg Average Interbank Rate ("JIBAR"). This results in a 25bps saving over the previous margin.
- Facility D was extended by a further 42 months at a margin of 2,25% above the three-month JIBAR. This results in a 20bps saving over the previous margin.

We are currently in negotiations with the Investec to refinance the debt expiring in September 2023.

Subsequent to year-end, a forecast interest cover ratio ("ICR") breach was identified with HSBC. Following discussions with HSBC regarding the forecast breach it was agreed that the company would exercise the cure rights under the loan agreement. As a result, £337,993 (R8.25 million) has been deposited into the cure account as an interest reserve subsequent to year-end.

The loan agreement provided that once funds have been transferred into the cure account, there is no longer considered to be a breach. Texton has received confirmation from HSBC in this regard. Furthermore, given the decrease in the UK asset valuations due to the increase in interest rates, the LTV covenant levels were exceeded. As at the reporting date, the Group was in discussions with HSBC to quantify the amount required to right size the loan to satisfy the required LTV covenants. The Group has sufficient liquidity on hand to manage these obligations.

Texton has no unencumbered direct property investments. All our indirect international property investments are free from any encumbrance.

NAV per share

	June 2023 R'000	December 2022 R'000	June 2022 R'000
NAV			
Reported NAV attributable to the parent	2 097 014	1 990 383	1 964 371
<i>Adjustments:</i>			
Dividend to be declared	(50 000)	–	(23 413)
Fair value of certain derivative financial instruments	–	(3 630)	(1 532)
Deferred tax	7 446	35 887	24 833
Total equity	2 054 460	2 022 640	1 964 259
Shares outstanding			
Number of shares in issue (net of treasury shares) ('000)	331 699	331 848	334 470
NAV per share (cents)	619,37	609,51	587,28

NAV per share has increased over the period to R6.19 from R5.87, representing an increase of 5,5%

CURRENCY

The closing exchange rate on 30 June 2023 was R23,93:£1 (June 2022: R19,85:£1), and the average exchange rate for the year was R21,42:£1 (June 2022: R20,34:£1). The closing exchange rate on 30 June 2022 for the USD investments was R18,84(June 2022:R16,31:\$1) and the average exchange rate for the year was R17,78(June 2022: \$15,22).

TRANSFORMATION AND BROAD-BASED BLACK ECONOMIC EMPOWERMENT (“B-BBEE”)

During the current year, Texton has improved its B-BBEE status from non-compliant in the previous year to a Level four B-BBEE rating. Texton is committed to the country’s B-BBEE policies and has put various transformation policies in place in the current year that will enable the Company to retain its level four B-BBEE status and contribute to socio economic development in South Africa.

PROSPECTS AND OUTLOOK

Texton remains well positioned with a well-capitalised balance sheet and sufficient liquidity to deliver on our strategy of being highly disciplined in our two-pronged capital approach:

- Deploying capital into our existing SA direct property investments to reposition and repurpose these assets in line with our SME strategy
- Deploying capital into developed markets with a strong bias to using a partner-based investment strategy which, in time, will provide our shareholders with an offshore portfolio investment offering rewarding returns over the long term.

The SA macroeconomic environment remains very pessimistic, with increasing inflation, rising borrowing costs and a power utility provider that is unable to provide stable and consistent electricity to the country. Texton has chosen to reposition its office portfolio by making its assets fit for use by SMEs who are the lifeblood of the SA economy. Our SME strategy also encompasses the repurposing of large office space left vacant by corporates by repositioning these assets as “hubs” for SMEs to thrive in.

Our UK direct property investments have proven significantly resilient and provide us with consistent and predictable rental income. These assets do not require any major capital expenditure and the leases all contain upward-only, inflation-linked clauses, which make these assets uniquely positioned to take advantage of the current higher inflation in the UK when the next rental review takes place.

Our offshore investments continue to perform in line with expectations which provides the Group with a strong currency hedge against a depreciating rand.

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

DECLARATION OF A CASH DIVIDEND WITH THE OPTION TO RE-INVEST THE CASH DIVIDEND IN RETURN FOR TEXTON SHARES

Notice is hereby given of a declaration of the gross final cash dividend of 19,26 cents per share for the year ended 30 June 2023 ("cash dividend").

Shareholders of Texton ("Shareholders") will be entitled, in respect of all or part of their shareholdings, to elect to re-invest the Cash Dividend in return for Texton Shares ("Share Alternative"). Those Shareholders who do not elect the Share Alternative will receive the Cash Dividend. A circular providing further information in respect of the Cash Dividend and Share Alternative ("the Circular") will be posted to Shareholders on Tuesday, 3 October 2023.

Certificated Shareholders who wish to elect to receive the Share Alternative must complete the Form of Election contained in the Circular.

Dematerialised Shareholders who wish to receive the Share Alternative must instruct their CSDP or broker

with regard to their election in terms of the custody agreement entered into between them and their CSDP or broker.

The distribution of the Circular and/or any accompanying documents and the right to elect the Share Alternative in jurisdictions other than the Republic of South Africa may be restricted by law and a failure to comply with any of these restrictions may constitute a violation of the securities laws of such jurisdictions. The Shares have not been and will not be registered for the purposes of the Share Alternative under the securities laws of the United Kingdom, European Economic Area, Canada, United States of America, Japan or Australia, and accordingly are not being offered, sold, taken-up, re-sold or delivered directly or indirectly to recipients with registered addresses in such jurisdictions.

Salient dates and time	2023
Record date for Shareholders to be registered in the company's Securities Register in order to be entitled to received the Circular	Friday, 22 September
Circular and form of election posted to Shareholders and announced on SENS	Tuesday, 3 October
Last date for Texton to withdraw the entitlement for Shareholders to elect to participate in the Share Re-investment Alternative before the publication of the announcement of the Share Re-investment Alternative and issue price and finalisation information on SENS	Friday, 6 October
Announcement of Share Re-investment Alternative issue price and finalisation information provided on SENS ("Finalisation Date") by 11:00 on	Tuesday, 10 October
Last day to trade ("LDT") cum-dividend or Share Re-investment Alternative	Tuesday, 17 October
Shares to trade ex-dividend or Share Re-investment Alternative	Wednesday, 18 October
Listing of maximum possible number of Share Re-investment Alternative with commencements of trading on the JSE	Friday, 20 October
Last day to elect to receive the Share Re-investment Alternative (no late Forms of Election will be accepted) at 12:00 South African time	Friday, 20 October
Record date to elect to receive the dividend or Share Re-investment Alternative	Friday, 20 October
Payment of the cash dividend	Monday, 23 October
Announcement of results of the Cash Dividend and Share Re-investment Alternative published on SENS on	Monday, 23 October
Cheques posted to Certificated Shareholders and accounts credited by CSDPs or brokers of Dematerialised Shareholders electing the cash dividend on	Monday, 23 October
Share certificates posted to Certificated Shareholders and accounts credited by CSDPs or brokers of Dematerialised Shareholders electing the Share Re-investment Alternative on	Wednesday, 25 October
Adjustment to the maximum number of Shares listed on or about	Friday, 27 October

DECLARATION OF A CASH DIVIDEND continued

Notes:

- Shareholders electing the Share Re-investment Alternative are reminded that the new Shares will be listed on LDT+3 and that these new Shares can only be traded on LDT+3 as a result of the settlement of Shares 3 days after the Record Date, which differs from the conventional 1 day after the Record Date settlement process.
- Shares may not be dematerialised or rematerialised between the commencement of trade on Wednesday, 18 October 2023 and the close of trade on Friday, 20 October 2023, both days inclusive.
- All times are South African times. The above dates and times are subject to change and any change will be advised on SENS and in the press.

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 Central Securities Depository Participant (“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 of 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 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 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 15,41 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 to 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.

both in the form prescribed by the Commissioner of the South African Revenue Service. Non-resident 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.

The Company’s tax reference number is: 9353785158

Note:

At the date of the announcement, Texton had 291 423 300 ordinary shares in issue.

**BEING HIGHLY
DISCIPLINED IN
OUR CAPITAL
ALLOCATION
TO CREATE
SUSTAINABLE
RISK ADJUSTED
RETURNS FOR OUR
SHAREHOLDERS**



Bryanston Gate
Office Park



SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2023

	Audited 30 June 2023 R'000	Audited 30 June 2022 R'000
ASSETS		
Non-current assets	2 720 063	2 784 172
Investment property	2 077 217	2 120 715
Equipment	6 532	8 854
Tenant installation	10 675	13 943
Investment in joint venture	–	137 426
Deferred tax	1 891	–
Lease commissions	4 314	7 430
Other receivables	20 844	10 742
Unlisted investments	598 590	485 062
Current assets	325 691	161 077
Trade and other receivables	31 317	35 557
Income tax receivable	5 080	3 242
Other receivables	9 178	–
Cash and cash equivalents	280 116	122 278
Investment property held for sale	96 162	464 900
Total assets	3 141 916	3 410 149
EQUITY AND LIABILITIES		
Total equity	2 097 014	1 964 371
Stated capital	2 786 814	2 795 822
Accumulated loss	(717 426)	(680 014)
Share-based payment reserve	87	407
Foreign currency translation reserve	27 539	(151 844)
Non-current liabilities	865 150	1 147 237
External loans and derivative financial instruments	855 813	1 119 443
Deferred tax	9 337	24 833
Lease liability	–	2 961
Current liabilities	179 752	298 541
External loans and derivative financial instruments	125 679	225 559
Trade and other payables	52 431	59 928
Income tax payable	1 642	13 054
Total equity and liabilities	3 141 916	3 410 149

SUMMARISED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2023

	Audited 30 June 2023 R'000	Audited 30 June 2022 R'000
Property revenue	298 690	333 206
Investment property income	297 855	336 358
Straight-line rental adjustment	835	(3 152)
Impairment losses recognised on tenant debtors	2 222	(645)
Direct property costs	(116 007)	(144 056)
Net property income	184 905	188 505
Other income	23 164	10 247
Administrative expenses	(41 406)	(37 405)
Impairment loss on vendor financing	(639)	–
Expenses incurred for corporate transactions	–	(2 875)
Loss from joint venture	–	(32 879)
Foreign exchange (losses)/gains	(7 960)	880
Operating profit	158 064	126 473
Finance income	16 976	10 588
Finance costs	(96 105)	(93 755)
Fair value adjustments	(117 705)	4 432
Profit before taxation	(38 770)	47 738
Taxation expense	24 618	(9 683)
(Loss)/profit for the year	(14 152)	38 055
Other comprehensive income:		
Items that may be classified to profit or loss		
Exchange differences on translating foreign operations	179 383	1 344
Other comprehensive income for the year, net of taxation	179 383	1 344
Total comprehensive income for the year	165 231	39 399
Profit attributable to:		
Shareholders of the Company	165 231	39 399
Earnings per share		
Basic (loss)/earnings per share (cents)	(4.26)	11.19
Headline earnings per share (cents)	(4.26)	11.19

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2023

	Audited 12 months 30 June 2023 R'000	Audited 12 months 30 June 2022 R'000
Cash flows from operating activities		
Cash generated from operations	161 673	144 640
Interest received	14 172	1 842
Interest paid	(92 743)	(85 553)
Dividends received	18 305	–
Dividends paid	(23 260)	(161 969)
Tax payment/refund	(12 552)	17 418
Net cash inflow/(outflow) from operating activities	65 595	(83 622)
Cash flows from investing activities		
Additions to investment properties	(9 271)	(32 170)
Additions to equipment	(1 381)	(3 322)
Proceeds on disposal of investment properties held for sale	132 382	400 110
Return of investment	139 985	1 963
Commission paid	(1 745)	(2 648)
Vendor finance repayments	3 000	–
Loans provided for supplier and enterprise development	(1 000)	–
Escrow funds received relating to the sale of a property	5 167	840
Additions to unlisted investments	(60 327)	(442 263)
Tenant installation incurred	(3 493)	(10 225)
Net cash inflow/(outflow) from investing activities	203 317	(87 715)
Cash flows from financing activities		
Treasury shares acquired	(2 730)	(33 399)
Shares repurchased and cancelled	(6 278)	–
Capital close cross-currency swap	–	(1 751)
Proceeds from external loans and derivative financial instruments	55 000	254 268
Repayments of external loans and derivative financial instruments	(190 160)	(288 619)
Debt structuring fees paid	–	(2 728)
Lease liability payment	(222)	(478)
Net cash outflow from financing activities	(144 390)	(72 707)
Net increase/(decrease) in cash and cash equivalents for the year	124 522	(244 044)
Effect of exchange rate movement on cash and cash equivalents	33 316	6 236
Cash and cash equivalents at the beginning of the year	122 278	360 086
Cash and cash equivalents at the end of the year	280 116	122 278

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2023

	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 2021	2 829 221	(153 188)	145	(556 100)	2 120 078
Total comprehensive income for the year	-	1 344	-	38 055	39 399
Profit for the year	-	-	-	38 055	38 055
Exchange differences on translation of foreign operations	-	1 344	-	-	1 344
Dividends paid	-	-	-	(161 969)	(161 969)
Treasury shares acquired	(33 399)	-	-	-	(33 399)
Share-based payment transactions	-	-	262	-	262
Balance as at 30 June 2022	2 795 822	(151 844)	407	(680 014)	1 964 371
Total comprehensive income for the year	-	179 383	-	(14 152)	165 231
Profit for the year	-	-	-	(14 152)	(14 152)
Exchange differences on translation of foreign operations	-	179 383	-	-	179 383
Dividends paid	-	-	-	(23 260)	(23 260)
Shares repurchased and cancelled	(6 278)	-	-	-	(6 278)
Treasury shares acquired	(2 730)	-	-	-	(2 730)
Share-based payment transactions	-	-	(320)	-	(320)
Balance as at 30 June 2023	2 786 814	27 539	87	(717 426)	2 097 014

NOTES TO THE SUMMARISED CONSOLIDATED AUDITED RESULTS

AUDIT OPINION

These summarised consolidated annual financial results are extracted from the audited financial statements, but are not themselves audited. The consolidated financial statements for the year ended 30 June 2023 were audited by BDO South Africa Incorporated, who expressed an unmodified opinion thereon. The audited consolidated financial statements for the year ended 30 June 2023 and the auditor's report thereon are available for inspection at the Company's registered office.

The directors take full responsibility for the preparation of these summarised consolidated annual financial results.

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.

SELECTED EXPLANATORY NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL RESULTS

1. BASIS OF PREPARATION

The summarised consolidated financial results for the year ended 30 June 2023 have been prepared in accordance with the requirements of the JSE Listings Requirements, the requirements of the Companies Act of South Africa (Act 71 of 2008), as amended, the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and contain the disclosure requirements of IAS 34: Interim Financial Reporting. These results 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 2023.

The accounting policies applied in the preparation of the summarised consolidated financial results 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 2022 have had a material impact on the preliminary summarised consolidated financial results.

The summarised consolidated financial results 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 auditor in accordance with section 8.40(a) of the JSE Listings Requirements.

The summarised consolidated financial results for the year ended 30 June 2023 were prepared by B Rajdew Singh CA(SA) under the supervision of the chief executive officer, Mr HSP Welleman CA(SA).

2. SIGNIFICANT JUDGEMENTS

When preparing these summarised consolidated financial results, 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 summarised consolidated annual 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

	Audited 30 June 2023 R'000	Audited 30 June 2022 R'000
Reconciliation of movement in investment property for the year		
Balance at the beginning of the year	2 120 715	2 501 364
Additions	9 271	31 204
Straight-line rental adjustment	2 068	(3 152)
Fair value adjustments	(50 763)	(40 255)
Transfer from investment property reclassified as held for sale	(101 119)	(370 992)
Foreign currency translation reserve	97 045	2 544
Balance at the end of the year	2 077 217	2 120 715

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 3 investments. In determining the fair value of the South African portfolio, the traditional discounted cash flow method of valuation has been used. In determining the fair value of the UK portfolio, the valuations were prepared based on the equivalent yield or income capitalisation method whereby the fair value of the property is determined by applying an equivalent yield to a market-related rental into perpetuity. At year-end, the determination of property valuations was 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 have been no movements to and from level 3 during the year.

Investment property and property held for sale amounting to R2,2 billion (June 2022: R2,6 billion) has been pledged as security for our long-term loans.

NOTES TO THE SUMMARISED CONSOLIDATED AUDITED RESULTS continued

3. INVESTMENT PROPERTY continued

SA 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.

	Audited 30 June 2023 %	Audited 30 June 2022 %
Discount rates used are included below:		
Sector		
Office	13,50 – 15,75	13,55 – 16,80
Industrial *	–	16,00
Retail	14,75	14,75
Exit capitalisation rates for year five are included below:		
Sector		
Office	10,00 – 11,25	9,00 – 12,55
Industrial *	–	10,70
Retail	9.50	10,00
The future revenue growth for the five-year projection is included below:		
Sector		
Office	4,0 – 7,0	4,0 – 6,0
Industrial*	–	6,0
Retail	7.00	6,11

* There is only one industrial property held by Texton, this property is held for sale and is valued at its selling price, therefore there are no inputs used for this property

Sensitivity analysis to significant unobservable inputs

	Audited 30 June 2023 R'000	Audited 30 June 2022 R'000
Sensitivity analysis to exit capitalisation rates		
Exit capitalisation rate increases by 1%	(84 285)	(86 135)
Exit capitalisation rate decreases by 1%	103 481	108 035
Sensitivity analysis to discount rates		
Discount rate increases by 1%	(57 079)	(57 079)
Discount rate decreases by 1%	60 202	61 449
Sensitivity analysis to market rentals		
Market rental decreases by 1%	(15 720)	(15 905)
Market rental increases by 1%	15 848	15 955

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 2023	Audited 30 June 2022
Equivalent yields used are included below:		
Sector		
Industrial	6,1 – 6,6	5,18 – 6,5
Retail	9,08	8,34
Annual market rentals per square foot in GBP used are included below, rounded to the nearest 1 000:		
Sector		
Industrial	4,5 – 6,5	4,05 – 5,6
Retail	12,5 – 20,0	12,53 – 20,0

NOTES TO THE SUMMARISED CONSOLIDATED AUDITED RESULTS continued

3. INVESTMENT PROPERTY continued

UK valuations continued

Sensitivity analysis to significant unobservable inputs

	Audited 30 June 2023 R'000	Audited 30 June 2022 R'000
Sensitivity analysis to equivalent yields		
Equivalent yield increases by 1%	(69 886)	(73 162)
Equivalent yield decreases by 1%	93 939	106 220
Sensitivity analysis to market rentals		
Market rental decreases by 1%	(4 667)	(3 276)
Market rental increases by 1%	3 590	3 375

4. UNLISTED INVESTMENTS

Audited 30 June 2023	Opening Balance R'000	Acquisi- tions R'000	Fair value adjust- ments R'000	Interest received R'000	Foreign currency translation movement R'000	Closing Balance R'000
Blackstone Real Estate Income Trust	214 202	–	(13 977)	–	43 048	243 273
Starwood Real Estate Income Trust	207 388	–	(27 044)	–	41 442	221 786
PadSplit Investment	40 766	–	(5 830)	–	6 313	41 249
Cadre real estate investment	15 514	37 202	1 889	2 803	–	57 408
Greenpoint/Infinium	7 192	14 999	1 183	–	3 194	26 568
GIM Investments/Apollo	–	7 894	–	–	411	8 305
	485 062	60 095	(43 779)	2 803	94 408	598 589

Audited 30 June 2022	Opening Balance R'000	Acquisi- tions R'000	Fair value adjust- ments R'000	Interest received R'000	Foreign currency translation movement R'000	Closing Balance R'000
Blackstone Real Estate Income Trust	–	186 700	27 502	–	–	214 202
Starwood Real Estate Income Trust	–	180 955	26 433	–	–	207 388
PadSplit Investment	–	38 251	–	–	2 515	40 766
Cadre real estate investment	–	15 461	53	–	–	15 514
Greenpoint/Infinium	–	8 061	(299)	–	(570)	7 192
	–	429 428	53 689	–	1 945	485 062

5. INVESTMENT IN JOINT VENTURE

	Audited 30 June 2023 R'000	Audited 30 June 2022 R'000
Balance at the beginning of the year	137 426	167 388
Current period loss from joint venture	–	(24 949)
Funds (received from)/paid to joint venture	(139 985)	1 963
Reversal of impairment on joint venture	2 559	
Impairments on joint venture	–	(6 976)
Balance at the end of the year	–	137 426

The Group has a 50% (June 2022: 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 on 24 June 2022, Broad Street Mall was sold to a third party investor for GBP 57.5 million. The proceeds from the sale of the property were utilised to settle the outstanding investment. Inception(Reading) S.a.r.l will be liquidated in the near future once all remaining liabilities and contingent assets have been settled and received.

6. FAIR VALUE ADJUSTMENTS

	Audited 30 June 2023 R'000	Audited 30 June 2023 R'000
Investment property	(50 763)	(40 255)
Loss on disposal of property	(6 736)	(1 024)
Investment property classified as held for sale	(14 186)	(16 385)
Financial instruments at fair value through profit or loss		
Interest rate swap	(2 259)	9 179
Unlisted investments	(43 761)	54 266
Admin charge – unlisted investments	–	(1 443)
Currency swap	–	94
	(117 705)	4 432

NOTES TO THE SUMMARISED CONSOLIDATED AUDITED RESULTS continued

7. EXTERNAL LOANS AND DERIVATIVE FINANCIAL INSTRUMENTS

	Audited 30 June 2023 R'000	Audited 30 June 2022 R'000
Balance at the beginning of the year	1 345 002	1 407 610
– non-current	1 119 443	1 350 137
– current	225 559	57 473
Advances during the year	55 000	254 268
Repayments during the year	(475 372)	(310 546)
Foreign currency translation reserve movements	49 539	(3 302)
Unrealised foreign exchange movements	–	(8 273)
Fair value on interest rate swaps	2 259	9 178
Structuring fees amortised during the year	3 156	(5 005)
Debt structuring fees paid	–	(2 728)
Interest accrual	1 908	3 800
Fair value on CCIRS	–	–
Closing balance at the end of the year	981 492	1 345 002
– non-current	855 813	1 119 443
– current	125 679	225 559

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
- LTV ratio for the Standard Bank facility may not exceed 60%
- Interest cover ratio for the facility of a minimum of 1.60 times
- Texton did not meet the Standard Bank ICR at the facility level at 31 December 2022. However, this covenant breach was condoned by Standard Bank. As part of the refinancing of the Standard Bank facilities that was done during the year, the loan covenant for the loan facility was renegotiated from 2.0 times to 1.60 times.
- All covenants applicable to Standard Bank are currently met by Texton.

Loan covenants applicable to the Investec facilities

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

Loan covenants applicable to the HSBC facilities

- LTV ratio for the HSBC facilities may not exceed 55%
- Historical interest cover ratio for the facility must be a minimum of 1,75 times
- Projected interest cover ratio for the facility must be a minimum of 1,75 times
- All covenants applicable to HSBC are currently met by Texton.

The projected interest cover ratio breach level was reached subsequent to year-end, however the breach was cured. Furthermore, given the decrease in the UK asset valuations due to the increase in interest rates, the LTV covenant levels were exceeded. As at the reporting date, the Group was in discussions with HSBC to quantify the amount required to right size the loan to satisfy the required LTV covenants. The Group has sufficient liquidity on hand to manage these obligations. Refer to note 11.

8. INVESTMENT PROPERTY HELD FOR SALE

	Audited 30 June 2023 R'000	Audited 30 June 2022 R'000
Balance at the beginning of the year	464 900	505 664
Transferred from investment property	101 119	370 992
Transferred from tenant installations	2 413	–
Transferred from lease commissions	1 331	–
Transferred from equipment	5	–
Disposals	(447 255)	(410 458)
Changes in fair value	(14 186)	(16 385)
Straight lining adjustment	(1 234)	–
Loss on disposal on sale of property	(10 931)	(838)
Foreign currency translation reserve	–	15 925
Balance at the end of the year	96 162	464 900

9. FINANCIAL INSTRUMENTS

	Fair value through profit or loss	
	Audited 30 June 2023 R'000	Audited 30 June 2022 R'000
Financial assets		
Investment in joint venture	–	137 426
External loans and derivative financial instruments	–	1 532
Unlisted investments	598 590	485 062
Financial assets	598 590	624 020
Financial liabilities		
External loans and derivative financial instruments	–	–
Financial liabilities	–	–

NOTES TO THE SUMMARISED CONSOLIDATED AUDITED RESULTS continued

9. FINANCIAL INSTRUMENTS continued

	Amortised cost	
	Audited 30 June 2023 R'000	Audited 30 June 2022 R'000
Financial assets		
Other receivables	30 022	10 742
Trade and other receivables	20 690	28 341
Cash	280 116	122 278
Financial assets	330 828	161 361
Financial liabilities		
External loans and derivative financial instruments	981 492	1 345 000
Trade and other payables	31 927	42 431
Financial liabilities	1 013 419	1 387 431

In the prior year, 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 2023.

10. 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.

10. FAIR VALUE HIERARCHY continued

	Carrying value		
	Level 1 R'000	Level 2 R'000	Level 3 R'000
30 June 2023			
Assets			
Investment properties	–	–	2 077 217
Investment properties held for sale	–	–	96 162
Interest rate swap	–	–	–
Unlisted investments	–	465 060	133 530
30 June 2022			
Assets			
Investment properties	–	–	2 120 715
Investment properties held for sale	–	–	464 900
Interest rate swap	–	1 532	–
Investment in joint venture	–	–	137 426
Unlisted investments	–	421 591	63 471

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
Investments: Interest in Blackstone Real Estate Income Trust iCapital Offshore Access Fund SPC	The fair value of the investment is determined with reference to the published price which is based on the underlying NAV of the underlying REIT being Blackstone Real Estate Income Trust iCapital Offshore Access Fund SPC, a private unlisted REIT.	Not applicable	Not applicable
Investments: Interest in Starwood Real Estate Income Trust Offshore Fund SPC	The fair value of the investment is determined with reference to the published price which is based on the underlying NAV of the underlying REIT being Starwood Real Estate Income Trust Offshore Fund SPC, a private unlisted REIT.	Not applicable	Not applicable

NOTES TO THE SUMMARISED CONSOLIDATED AUDITED RESULTS continued

10. FAIR VALUE HIERARCHY continued

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
Unlisted investments	Texton will rely on the sponsor valuations to determine fair value at each valuation date. These valuations in turn are based on the underlying NAV of the investments.	Not applicable	Not applicable
Investment in joint venture	The value of the investment is driven predominately by the net asset value of the investment, which is determined by the cash to be received from the investment. The investment property was sold in the prior year and the loan was repaid in the current year.	Not applicable	Not applicable

11. EVENTS AFTER THE REPORTING DATE

Share Repurchase

As announced on the Stock Exchange News Services ("SENS") on the JSE on 25 May 2023, Texton entered into a repurchase ("the Repurchase") agreement with the Public Investment Corporation ("PIC") to repurchase 72 129 048 Texton shares for a total consideration of R155 077 466.75. This transaction ("PIC transaction") was concluded on 17 July 2023 and funded through available cash in Texton's Rolling Credit Facility ("RCF").

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

The circular issued to shareholders documents that directors, in line with the JSE Listings Requirements, have considered the effect of the Repurchase on liquidity and solvency.

Covenant Breach

A forecast interest cover ratio ("ICR") breach was identified with HSBC subsequent to year-end. Following discussions with HSBC regarding the forecast breach it was agreed that the company would exercise the cure rights under the loan agreement. As a result, £337,993 (R8.25 million) has been deposited into the cure account as an interest reserve subsequent to year-end.

The loan agreement provided that once funds have been transferred into the cure account, there is no longer considered to be a breach. Texton has received confirmation from HSBC in this regard.

Furthermore, given the decrease in the UK asset valuations due to the increase in interest rates, the LTV covenant levels were exceeded. As at the reporting date, the Group was in discussions with HSBC to quantify the amount required to right size the loan to satisfy the required LTV covenants. The Group has sufficient liquidity on hand to manage these obligations.

11. EVENTS AFTER THE REPORTING DATE continued

Dividend Declaration

The board of directors declared a final dividend of 19.26 cents per share subsequent to year end.

12. DIVIDENDS PAID

	Audited 30 June 2023 R'000	Audited 30 June 2022 R'000
Dividends paid	23 260	161 969

Dividends are paid from income reserves.

13. SEGMENT REPORTING

The Group has three reportable segments: SA direct property, UK direct property and international investments. Direct property investments are split into office, retail and industrial. The information is provided to the executive management committee, the Group's operating decision-making forum on a monthly basis. There are no single major customers except the SA national government.

The following summary describes the operations in each of the Group's reportable segments:

	South Africa	
	Audited 30 June 2023 R'000	Audited 30 June 2022 R'000
Segmental revenue – rental revenue		
Office	211 812	197 737
Retail	32 769	65 645
Industrial	22 674	34 891
	267 255	298 273
Profit before tax		
Office	124 534	8 878
Retail	17 109	58 753
Industrial	10 767	18 927
Corporate	(106 144)	(103 966)
	46 266	(17 408)
Total assets		
Office	1 547 331	1 608 530
Retail	163 010	401 201
Industrial	55 032	199 953
Corporate	11 065	371
	1 776 438	2 210 055

NOTES TO THE SUMMARISED CONSOLIDATED AUDITED RESULTS continued

13. SEGMENT REPORTING continued

Total liabilities		
Office	(27 374)	(28 903)
Retail	(5 254)	(12 025)
Industrial	(1 602)	(9 467)
Corporate	(688 586)	(1 118 997)
	(722 816)	(1 169 392)
	United Kingdom	
	Audited	Audited
	30 June	30 June
	2023	2022
	R'000	R'000
Segmental revenue – rental revenue		
Office	–	3 087
Retail	4 805	5 692
Industrial	26 630	26 154
	31 435	34 933
Profit before tax		
Office	–	2 012
Retail	(261)	(27 874)
Industrial	(33 546)	37 516
Corporate	(15 656)	(6 061)
	(49 463)	5 593
Total assets		
Office	–	2 584
Retail	69 770	195 863
Industrial	503 972	463 334
Corporate	24 981	53 251
	598 723	715 032
Total liabilities		
Retail	(4 264)	(2 853)
Industrial	(15 518)	(263 147)
Corporate	(302 288)	(10 386)
	(322 070)	(276 386)

13. SEGMENT REPORTING continued

	Investments	
	Audited 30 June 2023 R'000	Audited 30 June 2022 R'000
Segmental revenue – rental revenue		
Office	-	-
Retail	-	-
Industrial	-	-
	-	-
Profit before tax		
Office	-	-
Retail	-	-
Industrial	-	-
Investments	(35 573)	59 553
	(35 573)	59 553
Total assets		
Office	-	-
Retail	-	-
Industrial	-	-
Investments	766 755	485 062
	766 755	485 062
Total liabilities		
Office	-	-
Retail	-	-
Industrial	-	-
Investments	-	-
	-	-

NOTES TO THE SUMMARISED CONSOLIDATED AUDITED RESULTS continued

13. SEGMENT REPORTING continued

	Total	
	Audited 30 June 2023 R'000	Audited 30 June 2022 R'000
Segmental revenue – rental revenue		
Office	211 812	200 824
Retail	37 574	71 337
Industrial	49 304	61 045
	298 690	333 206
Profit before tax		
Office	124 534	10 890
Retail	16 848	30 879
Industrial	(22 779)	56 443
Investments	(35 573)	59 553
Corporate	(121 800)	(110 027)
	(38 770)	47 738
Total assets		
Office	1 547 331	1 611 114
Retail	232 780	597 064
Industrial	559 004	663 287
Investments	766 755	485 062
Corporate	36 046	53 622
	3 141 916	3 410 149
Total liabilities		
Office	(27 374)	(28 903)
Retail	(9 518)	(14 878)
Industrial	(17 120)	(272 614)
Investments	–	–
Corporate	(990 874)	(1 129 383)
	(1 044 886)	(1 445 778)

14. HEADLINE EARNINGS

	Audited 30 June 2023 R'000	Audited 30 June 2022 R'000
Headline earnings attributable to shareholders		
Profit attributable to shareholders	(14 152)	38 055
Fair value adjustment of investment property	50 763	40 255
Fair value adjustment of investment property held for sale	14 186	16 385
Impairment of joint venture	–	7 929
Reversal of impairment	(2 559)	–
Loss on sale of property held for sale	6 736	1 024
Headline earnings attributable to shareholders	54 974	103 648
Weighted number of shares ('000)	332 408	339 953
Shares in issue ('000)	363 701	365 638
Treasury shares ('000)	32 001	31 168
Profit per share		
Basic earnings per share (cents)	(4,26)	11,19
Diluted earnings per share (cents)	(4,26)	11,19
Headline earnings per share (cents)	16,54	30,49
Diluted headline earnings per share (cents)	16,54	30,46

15. SUMMARY OF FINANCIAL PERFORMANCE

	Audited 30 June 2023 R'000	Audited 30 June 2022 R'000
Shares used for dividend calculation ('000)	259 570	334 470
Weighted average number of shares in issue ('000)	332 408	339 953
NAV per share (cents)	619,37	587
Basic earnings per share (cents)	(4,26)	11,19
Headline earnings per share (cents)	16,54	30,49
Share price (cents)	250	370
LTV ratio*	24,9	37,6
Cost-to-income ratios		
Gross property cost-to-income ratio (%)	41,9	42,6
Net property cost-to-income ratio (%)	24,7	28,4
Gross total cost-to-income ratio (%)	52,7	53,9
Net total cost-to-income ratio (%)	22,3	42,6

* Calculated in line with the SA REIT Association Best Practice Recommendations.

ANNEXURE A

SA REIT ASSOCIATIONS 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 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

	30 June 2023 R'000	30 June 2022 R'000
Profit or loss per income statement	(14 152)	38 055
Accounting/specific adjustments	84 237	47 948
Fair value adjustments to:		
– Investment property	50 763	56 640
– Debt and equity instruments held at fair value through profit or loss	2 259	(9 273)
– Fair value gains on unlisted investments	43 761	(52 823)
Depreciation and amortisation of intangible assets	10 234	9 812
Asset impairments (excluding goodwill) and reversals of impairment	–	33 524
Gains or losses on the modification of financial instruments	–	2 875
Deferred tax movement recognised in profit or loss	(21 945)	4 041
Straight-lining operating lease adjustment	(835)	3 152
Adjustments arising from investing activities	20 922	1 024
Gains or losses on disposal of:		
– Investment property held for sale	20 922	1 024
Foreign exchange and hedging items	7 960	(1 123)
Reclassified foreign currency translation reserve upon disposal of a foreign operation	–	(1 002)
Adjustments to amounts recognised in profit or loss relating to derivative financial instruments	7 962	(1 001)
Foreign exchange gains or losses relating to capital items – realised and unrealised	(2)	880
Other adjustments	(1 632)	(4 317)
Tax impact of the above adjustments	(1 632)	(4 317)
SA REIT FFO	97 335	81 587
Number of shares outstanding at the end of the year (net of treasury shares)	331 699	334 470
SA REIT FFO cents per share	29.34	24.39
Income available for distribution	99 138	59 416
Distributable income per share (cents per share)	38.19	17.00

SA REIT NET ASSET VALUE (“SA REIT NAV”)

	30 June 2023 R'000	30 June 2022 R'000
Reported NAV attributable to the parent	2 097 014	1 964 371
Adjustments:		
Dividend to be declared		(23 413)
Fair value of certain derivative financial instruments	(50 000)	(1 532)
Deferred tax	7 446	24 833
SA REIT NAV	2 054 460	1 964 259
Shares outstanding		
Number of shares in issue at year-end (net of treasury shares)	331 699	334 470
Dilutive number of shares in issue	331 699	334 470
SA REIT NAV per share (cents)	619.37	587.28

SA REIT COST-TO-INCOME RATIO

	30 June 2023 R'000	30 June 2022 R'000
Expenses		
Operating expenses per IFRS income statement (includes municipal expenses)	116 007	144 056
Administrative expenses per IFRS income statement	41 407	37 405
Operating costs	157 414	181 461
Rental income		
Contractual rental income per IFRS income statement (excluding straight-lining)	297 855	268 548
Utility and operating recoveries per IFRS income statement	835	67 810
Gross rental income	298 690	336 358
SA REIT cost-to-income ratio (%)	52.7	53.9

ANNEXURE A
 SA REIT ASSOCIATION BEST PRACTICE DISCLOSURES
 (NON-IFRS MEASURES) *continued*

SA REIT ADMINISTRATIVE COST-TO-INCOME RATIO

	30 June 2023 R'000	30 June 2022 R'000
Expenses		
Administrative expenses per IFRS income statement	41 407	37 405
Administrative costs	41 407	37 405
Rental income		
Contractual rental income per IFRS income statement (excluding straight-lining)	297 855	268 548
Utility and operating recoveries per IFRS income statement	835	67 810
Gross rental income	298 690	336 358
SA REIT administrative cost-to-income ratio (%)	13.9	11.1

SA REIT GLA VACANCY RATE

	30 June 2023 m ²	30 June 2022 m ²
GLA of vacant space	51 196	65 228
GLA of total property portfolio	199 707	270 726
SA REIT GLA vacancy rate (%)	25,6	24,1

COST OF DEBT

	30 June 2023 %	30 June 2022 %
	South Africa	
Variable interest rate borrowings		
Floating reference rate plus weighted average margin	10,77	7,38
Preadjusted weighted average cost of debt	10,77	7,38
Adjustments:		
Impact of interest rate derivatives	–	0,06
Impact of CCIRS	–	–
All-in weighted average cost of debt – ZAR	10,77	7,44
	United Kingdom	
Variable interest rate borrowings		
Floating reference rate plus weighted average margin	6,61	3,29
Preadjusted weighted average cost of debt	6,61	3,29
Adjustments:		
Impact of interest rate derivatives	–	(0,58)
Impact of CCIRS	–	–
All-in weighted average cost of debt – GBP	6,61	2,71

ANNEXURE A
 SA REIT ASSOCIATION BEST PRACTICE DISCLOSURES
 (NON-IFRS MEASURES) *continued*

SA REIT LOAN-TO-VALUE (“SA REIT LTV”)

	30 June 2023 R'000	30 June 2022 R'000
Gross debt	981 492	1 345 002
Less:		
Cash and cash equivalents	(280 116)	(122 278)
Add/less:		
Derivative financial instruments	-	1 532
Net debt	701 376	1 224 256
Total assets – per statement of financial position	3 141 916	3 410 149
Less:		
Cash and cash equivalents	(280 116)	(122 278)
Derivative financial assets	-	-
Trade and other receivables	(40 495)	(30 557)
Carrying amount of property-related assets	2 821 305	3 257 314
SA REIT LTV (%)	24.9	37.6

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 chairperson)
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 director*

^*PM Hack resigned 15 December 2022*

COMPANY SECRETARY

Corpstat Governance Services Proprietary Limited
Bryanston Gate
Block 4, First Floor
Homestead Avenue
Bryanston 2191

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

TEXTON
PROPERTY FUND

www.texton.co.za

TEXTON

PROPERTY FUND

(Registration Number 2005/019302/06)

**Annual Financial Statements
for the year ended 30 June 2023**

Audited Financial Statements

in compliance with the Companies Act of South Africa

Prepared by B Rajdew Singh CA(SA) under the supervision of HSP Welleman CA (SA)

Texton Property Fund Limited

(Registration Number 2005/019302/06)

Annual Financial Statements for the year ended 30 June 2023

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Texton Property Fund Limited

(Registration Number 2005/019302/06)

Annual Financial Statements for the year ended 30 June 2023

Directors' Responsibilities and Approval

The directors are responsible for the preparation and fair presentation of the consolidated annual financial statements of Texton Property Fund Limited, comprising the statement of financial position at 30 June 2023, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards ("IFRS") and interpretations adopted by the International Accounting Standards Board ("IASB"), SA financial reporting requirements, the requirements of the Companies Act of South Africa (Act 71 of 2008) ("Companies Act") and the JSE Limited ("JSE") Listings Requirements.

Each of the directors is also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these financial statements.

The directors assessed the ability of the Company and its subsidiaries ("the Group") to continue as going concerns and have no reason to believe that the businesses will not be going concerns in the year ahead.

Each of the directors, whose names are stated below, hereby confirm that:

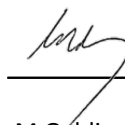
- the annual financial statements set out on pages 15 to 100 fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS
- to the best of our knowledge and belief no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading
- internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer
- the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function as executive directors with primary responsibility for implementation and execution of controls;
- where we are not satisfied, we have disclosed to the audit and risk committee and the auditor deficiencies in design and operational effectiveness of the internal financial controls and have taken steps to remedy the deficiencies
- we are not aware of any fraud involving the directors.

Approval of the consolidated annual financial statements

The consolidated annual financial statements of Texton Property Fund Limited as identified in the first paragraph, were approved by the Board of directors on 22 September 2023 and signed on their behalf by:



HSP Welleman
Chief Executive Officer



M Golding
Chairman

Texton Property Fund Limited

(Registration Number 2005/019302/06)

Annual Financial Statements for the year ended 30 June 2023

Certificate by the Company Secretary

In terms of section 88(2)(e) of the Companies Act, we certify that to the best of our knowledge and belief, that Texton Property Fund Limited has lodged all returns required in terms of the Companies Act, with the Commissioner of the Companies and Intellectual Property Commission for the financial year ended 30 June 2023 and that the returns are true, correct and up to date.



CorpStat Governance Services Proprietary Limited

Company Secretary

22 September 2023

Texton Property Fund Limited

(Registration Number 2005/019302/06)

Annual Financial Statements for the year ended 30 June 2023

Directors' Report

Nature of the business

Texton is a 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 R2,2 billion as at 30 June 2023 (2022: R2,6 billion) and our international indirect property investment portfolio amounts to R598.5 million (2022: R485.1 million). The direct property portfolio includes commercial, industrial and retail properties. 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 asset managers

Subsidiaries

Subsidiaries	Location	% owned
Discus House Proprietary Limited	South Africa	100%
Imperial Com Props Proprietary Limited	South Africa	100%
Investage 183 Proprietary Limited	South Africa	100%
Nungu Trading 88 Proprietary Limited	South Africa	100%
TexStores Proprietary Limited	South Africa	100%
Texton Property Investments UK Limited	United Kingdom	100%
US TP Investments 1 LLC	United States of America	100%

Indirectly held subsidiaries - Held by Texton Property Investments UK:

TPI UK No2 Limited	United Kingdom	100%
TPI UK No1 Limited	United Kingdom	100%
Chevelon Investment Holdings Limited*	British Virgin Islands	100%
Heddon Investment Holdings Limited^	British Virgin Islands	100%
Zeya Investment Holdings Limited^	British Virgin Islands	100%
Ganix Investment Holdings Limited^	British Virgin Islands	100%

*This entity was liquidated on 23 August 2022

^We are currently in the process of liquidating these entities.

Texton Property Fund Limited

(Registration Number 2005/019302/06)

Annual Financial Statements for the year ended 30 June 2023

Directors' Report

Controlled entities

Vunani Property Investment Trust	South Africa	100%
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Joint ventures

Inception (Reading) S.a.r.l. - Broad Street Mall	United Kingdom	50%
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Financial results

The detailed financial results are fully set out in the consolidated financial statements.

Going concern

The Group has reasonably satisfied the liquidity and solvency test as required by the Companies Act and the directors have satisfied themselves that the Group are in a sound financial position and that they have access to sufficient facilities to their foreseeable cash requirements.

Texton entered into a repurchase agreement with the Public Investment Corporation ("PIC") towards the end of the financial year to repurchase 72 129 048 Texton shares . This transaction("PIC transaction") was funded through available cash in Texton's Rolling Credit Facility("RCF"). Refer to the events after the reporting period below.

Management are in negotiations with Investec to renew the facilities expiring on 29 September 2023. Based on past experience on renewals with the bank and the fact the debt has been reduced during the year through property disposals, management expect these facilities to be renewed.

The directors consider that the Group has adequate resources to continue operating for the foreseeable future and realise its assets and settle its liabilities in the ordinary course of business. As such, it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

Banking facilities

Texton has unlimited borrowing powers in terms of the Memorandum of Incorporation ("MOI"), but the Group has maintained its debt levels below 60% of its gross asset value in accordance with JSE Listings Requirements for REITs. The Group is also subject to certain financial covenants with the strictest being a 50% loan-to-value ("LTV") covenant on its bank borrowings. The Group's overall debt was R981 million (2022: R1,3 billion) at the reporting date as detailed in note 17 to the consolidated financial statements.

As at 30 June 2023, there are no covenant breaches. Refer to note 39 for breach levels identified and cured subsequent to year-end.

Texton Property Fund Limited

(Registration Number 2005/019302/06)

Annual Financial Statements for the year ended 30 June 2023

Directors' Report

Sale of non-core properties

Texton had five properties accounted for as held for sale on 30 June 2022, three of these properties and portions of Wale Street were sold in the current financial year. Additionally, two other properties were transferred to held for sale during the year and sold within the year. The total proceeds from the sale of properties were R447.3 million. These proceeds were used towards debt reduction, and have enabled Texton to successfully recycle capital to strengthen our balance sheet and invest into repositioning the SA portfolio . Please refer to note 12 for more information.

There are three properties held for sale at year-end.

Events after the reporting date

Share Repurchase

As announced on the Stock Exchange News Services ("SENS") on the Johannesburg Stock Exchange ("JSE") on 25 May 2023, Texton entered into a repurchase ("the Repurchase") agreement with the Public Investment Corporation to repurchase 72 129 048 Texton shares for a total consideration of R155 077 466.75. This transaction was concluded on 17 July 2023 and funded through available cash in Texton's Rolling Credit Facility.

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

The circular issued to shareholders documents that directors, in line with the JSE Listings Requirements, have considered the effect of the Repurchase on liquidity and solvency.

Covenant Breach

Subsequent to year-end, the breach level for the forecast interest cover ratio("ICR") breach was identified with HSBC. Following discussions with HSBC regarding the forecast breach it was agreed that the Group would exercise the cure rights under the loan agreement. As a result, £337,993 (R8.25 million) has been deposited into the cure account as an interest reserve subsequent to year-end.

The loan agreement provided that once funds have been transferred into the cure account, there is no longer considered to be a breach. Texton has received confirmation from HSBC in this regard.

Furthermore, given the decrease in the UK asset valuations due to the increase in interest rates , the LTV covenant levels (refer to note 17) were exceeded. As at the reporting date, the Group was in discussions with HSBC to quantify the amount required to right size the loan to satisfy the required LTV covenants. The Group has sufficient liquidity on hand to manage these obligations.

Texton Property Fund Limited

(Registration Number 2005/019302/06)

Annual Financial Statements for the year ended 30 June 2023

Directors' Report

Declaration of a final dividend

The Board of directors of Texton ("the Board") is pleased to announce that Texton has declared a final dividend of 19.26 cents (2022:7.00 cents) per share for the year ended 30 June 2023. The total dividend for the year is 19.26 cents (June 2022:17.00 cents).

Texton may offer a dividend reinvestment plan as a mechanism to conserve cash for future expansion, which allows shareholders to reinvest their cash dividends into additional shares in the company.

Changes to the Board

Pinny Hack resigned as Chief Financial Officer on 15 December 2022.

The details relating to directors and to director interest in shares can be found in note 32 to the annual financial statements.

Company secretary

CorpStat Governance Services Proprietary Limited, represented by William Somerville, continued to act as company secretary during the year under review.

Stated capital

The authorised shares of the company consist of 2 000 000 000 (two billion) ordinary shares of the same class and no par value. Total shares in issue amounts to 363 701 103 (2022: 365 638 418).

•General Repurchase

Texton continues to repurchase its shares in the open market and will do so in terms of the authority that was provided by shareholders at the annual general meeting ("AGM") on 29 November 2021 and 30 November 2022. The Group holds treasury shares via Discus House Proprietary Limited ("Discus House"), a subsidiary of Texton. Discus House purchased 685 182(2022:9 629 914) shares during the year under review, bringing the total amount of shares held by Discus House to 31 853 013 shares (2022: 31 169 831).

Texton repurchased 2 086 070 shares during the year of which 1 937 315 were cancelled in the market. The remainder of the shares were cancelled subsequent to year-end.

•Specific Repurchase

At the General meeting held on 30 June 2023 a special resolution was passed authorising the repurchase of shares from the PIC.

Texton Property Fund Limited

(Registration Number 2005/019302/06)

Annual Financial Statements for the year ended 30 June 2023

Directors' Report

Texton repurchased 72 129 048 shares at R2.15 from the PIC subsequent to year-end, this represented approximately 19.8% of the total issued share capital.

Auditor

BDO South Africa Incorporated will be recommended to shareholders at the AGM to continue in office in accordance with section 90(1) of the Companies Act.

Litigation

The directors are not aware of any legal or arbitration proceedings that have commenced, are pending, have been threatened, or may have a material impact on the results of the Group.

Holding Company

Texton has no holding Company and the main shareholders are detailed in Annexure C.

Texton Property Fund Limited

(Registration Number 2005/019302/06)

Annual Financial Statements for the year ended 30 June 2023

Report of the Audit Committee

The Audit and Risk Committee (the "audit committee") takes pleasure in presenting its report for the year ended 30 June 2023.

1. Terms of reference

The audit committee is a formal committee of the Board of the Company and its subsidiaries and has adopted written terms of reference. These terms of reference include the statutory requirements of the Companies Act ("the Act"), the recommendations of the King IV Report on Corporate Governance for South Africa, 2016 ("King IV") and certain responsibilities delegated by the Board.

The main responsibilities of the audit committee include:

- reviewing the ongoing effectiveness of the internal financial controls
- reviewing the interim and preliminary results, the annual financial statements and other content in the integrated annual report, and making a formal recommendation to the Board to adopt the same
- ensuring compliance with IFRS and the relevant requirements of the Act and the Johannesburg Stock Exchange ("JSE") with respect to financial reporting
- overseeing the appointment and independence of the external auditor and reviewing their external audit reports
- determining a policy for the provision of non-audit services by the external auditors
- monitoring the risk management framework adopted by the Company and the Group and reviewing any risk management reports in this regard
- reviewing management's assessment of the Group to continue as a going concern

The audit committee confirms that it has fulfilled all of its statutory obligations as well as its terms of reference for the year under review.

The audit committee has monitored and confirms that it is in compliance with the risk management policy which is in accordance with industry practice and prohibits the Company from entering into speculative derivative transactions not in the ordinary course of business.

2. Members of the audit committee, attendance of meetings and evaluation

The audit committee comprises three independent non-executive directors and is chaired by John Macey CA(SA). Certain executive directors, senior management as well as the external auditor attended audit committee meetings by invitation.

The terms of reference require an annual evaluation of the performance of the audit committee and its members as well as confirmation of the members' independence in terms of King IV and the Act. The evaluation performed covers the year ended 30 June 2023. The outcome of the evaluation performed was satisfactory.

3. External auditor

The audit committee nominated BDO South Africa Incorporated ("BDO"), as the external auditor for the current year, having satisfied itself that they are independent of the Group. The audit committee noted Stephan Cillié as the designated auditor and confirmed that both he and BDO are accredited with the JSE in accordance with paragraph 3.84(g)(iii) of the JSE Listings Requirements. The external auditor has unrestricted access to the audit committee.

The audit committee approved the terms of the auditor's engagement letter, their audit plan and budgeted audit fees for the audit of the Group consolidated and Company separate annual financial statements for the year ended 30 June 2023.

The audit committee adopted a formal framework for the pre approval of allowable non-audit services below certain predetermined thresholds.

Texton Property Fund Limited

(Registration Number 2005/019302/06)

Annual Financial Statements for the year ended 30 June 2023

Report of the Audit Committee

4. Significant matters

Valuation of investment property

The major risk relating to investment property is the valuation of investment property. This has been highlighted as an area of critical judgement and is detailed in note 5 to the annual financial statements. Each property is externally valued at least every three years, which results in a third of the properties being revalued annually. Where an external valuation is not obtained, the directors determine the fair value of each property, using the valuation methodology in note 5. Through discussion with the executive directors, the audit committee is satisfied with the valuation methodology and inputs. A number of non-executive directors have extensive experience in the property industry and the Board as a whole approves the valuations. The audit committee also monitors differences between internal and independent external valuations and is satisfied overall that the fair value of investment properties is not materially misstated.

5. Financial Director

Pinny Hack resigned as Financial Director on 15 December 2022. At 30 June 2023, the recruitment process for a replacement was still in process. During this period the finance duties were assumed by the Company's group financial manager, group financial controller, with oversight from the company's Chief Executive Officer.

The audit Committee, in consultation with the Board of Directors of Texton, considered the finance team to have sufficient knowledge, qualifications and experience to adequately manage the finance function during this period.

6. Internal audit

The audit committee continues to assess the requirement to have an internal audit function as the Company grows. At this point in time, the audit committee has satisfied itself that the size and complexity of the Group does not warrant an internal audit function.

7. Proactive monitoring

The audit committee confirms that it has considered the findings contained in the JSE's 2022 Proactive Monitoring Report when preparing the annual financial statements for the year ended 30 June 2023.

8. Internal financial controls

The audit committee reviewed the risk management and internal control framework presented by management and matters raised in the external auditor's report as to the efficiency of the Group's internal financial controls.

In accordance with paragraph 3.84(g)(ii) of the JSE Listings Requirements, the audit committee confirms that no material breakdown of internal financial controls was identified during the current financial year.

9. Approval of the annual financial statements

The audit committee confirms that it formally recommended the adoption of the consolidated annual financial statements to the Board of directors.



JP Macey

Chairman of the Audit and Risk Committee

22 September 2023

Independent Auditor's Report To the Shareholders of Texton Property Fund Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Texton Property Fund Limited and its subsidiaries ("the group") set out on pages 15 to 100, which comprise the consolidated statement of financial position as at 30 June 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Texton Property Fund Limited and its subsidiaries as at 30 June 2023, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the group in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of Investment Properties - (Notes 5 and 12)	The audit procedures we performed included, amongst others, the following:
The group's investment property portfolio is split between South Africa and the United Kingdom, with a total value in the consolidated statement of financial position of R2 173 million as at 30 June 2023 (R2 586 million: 2022).	<ul style="list-style-type: none">We assessed the design and tested the implementation of relevant controls over the valuations process;We assessed the competency, capabilities and objectivity of management's external expert ("management's expert"). This included inspecting professional qualifications and registrations and making an assessment of the objectivity and appropriateness of management's expert;
It is group policy that investment property is measured at their fair values with a minimum of one third of the portfolio being valued by an independent external valuation expert, whilst the remaining two thirds are valued by management.	<ul style="list-style-type: none">We inspected the valuation reports for the properties valued by management, and management's expert in the current year, to assess whether the valuation approach was in accordance with International Financial Reporting Standards, consistent with the prior financial year, and suitable for use in determining the fair value.We agreed all investment property fair values, to the underlying reports.

The valuation of the group's investment property portfolio is inherently subjective due to the estimates and judgements used in determining the property fair values, such as the exit capitalisation rates, discount rates, forecasted rental income and property expenses. Among other factors, the individual nature of the properties and their location, taking cognisance of the tenants occupying the properties, also affects the valuation of the investment property. Management apply assumptions for yields and estimated market rent to arrive at the final valuation.

The valuation of investment properties was considered to be an area of most significance during our audit of the consolidated financial statements for the year ended 30 June 2023, due to the significance of the balance, the significance of the estimates and the level of judgement involved.

- We tested the key assumptions used in the determination of fair values as follows:
 - The forecast revenue applied in the 1st year of the discounted cash flow ("DCF") was assessed for reasonability. This was performed by agreeing the actual revenue per the property management system to the amounts used in the DCF model. For a sample, the inputs within the property management system used to generate the revenue forecast was agreed to underlying signed rental agreements.
 - The projected property expenses applied in the 1st year of the DCF model was assessed for reasonability by comparing to actual property expenses.
 - We assessed the reasonability of revenue and expense growth rates subsequent to the initial forecast year based on our knowledge of the properties obtained through research, and by comparing to available industry data for similar investment properties.
 - We assessed the reasonability of the discount and exit capitalisation rates applied by comparing it to available industry data for similar investment properties.
- We have tested the mathematical accuracy of the DCF models, by reperforming the calculations.
- In addition to the above, we also identified key investment property valuations, and requested an external, independent auditor's valuation expert to independently assess and conclude on the the reasonability of the:
 - Forecast revenue applied in the 1st year of the discounted cash flow ("DCF") models;
 - Projected property expenses applied in the 1st year of the DCF models;
 - Revenue and expense growth rates in the DCF models subsequent to the initial forecast year; and
 - Discount, exit and capitalisation rates applied by either management or management's expert.
- We evaluated the adequacy of the disclosures in the consolidated financial statements relating to the valuation of investment properties in accordance with International Financial Reporting Standards.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Texton Property Fund Limited Integrated Report 30 June 2023" which includes the Directors' Report, the Audit & Risk Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa. The other information does not include the consolidated or the separate financial statements and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Responsibilities of the Directors for the Consolidated Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that BDO South Africa Incorporated has been the auditor of Texton Property Fund Limited for 3 years.

BDO South Africa Incorporated

BDO South Africa Incorporated (Sep 22, 2023 10:07 GMT+2)

BDO South Africa Incorporated
Registered Auditors

Stephan Cillié
Director
Registered Auditor

22 September 2023

119 - 123 Hertzog Boulevard
Foreshore
Cape Town, 8001

Texton Property Fund Limited

(Registration Number 2005/019302/06)

Financial Statements for the year ended 30 June 2023

Statement of Financial Position

		Group	
	Notes	2023 R `000	2022 R `000
Assets			
Non-current assets			
		2,720,063	2,784,172
Investment property	5	2,077,217	2,120,715
Equipment	6	6,532	8,854
Tenant installation	7	10,675	13,943
Investment in joint venture	35	-	137,426
Deferred tax	19	1,891	-
Unlisted investments	14	598,590	485,062
Lease commissions	8	4,314	7,430
Other receivables	9	20,844	10,742
Current assets			
		325,691	161,077
Trade and other receivables	10	31,317	35,557
Income tax receivable	13	5,080	3,242
Other receivables	9	9,178	-
Cash and cash equivalents	11	280,116	122,278
Investment property held for sale	12	96,162	464,900
Total assets		3,141,916	3,410,149
Equity and liabilities			
Equity			
		2,097,014	1,964,371
Share capital	15	2,786,814	2,795,822
Accumulated loss		(717,426)	(680,014)
Share-based payment reserve	38	87	407
Foreign Currency Translation Reserve	16	27,539	(151,844)
Non-current liabilities			
		865,150	1,147,237
External loans and derivative financial instruments	17	855,813	1,119,443
Lease liability	18	-	2,961
Deferred tax	19	9,337	24,833
Current liabilities			
		179,752	298,541
External loans and derivative financial instruments	17	125,679	225,559
Trade and other payables	20	52,431	59,928
Income tax payable	13	1,642	13,054
Total equity and liabilities		3,141,916	3,410,149

Texton Property Fund Limited

(Registration Number 2005/019302/06)

Financial Statements for the year ended 30 June 2023

Statement of Profit or Loss and Other Comprehensive Income

		Group	
	Notes	2023 R `000	2022 R `000
Investment property income	21	297,855	336,358
Straight-line rental adjustment		835	(3,152)
Property income		298,690	333,206
Reversal of impairment/(Impairment) on trade receivables	10	2,222	(645)
Property expenses	22	(116,007)	(144,056)
Net property income		184,905	188,505
Other income	23	23,164	10,247
Administrative expenses		(41,406)	(37,405)
Loss from joint venture	35	-	(32,879)
Impairment on vendor financing	9	(639)	-
Expenses incurred for corporate transactions		-	(2,875)
Foreign exchange (losses)/gains		(7,960)	880
Operating profit		158,064	126,473
Finance income	24	16,976	10,588
Finance costs	25	(96,105)	(93,755)
Fair value adjustments	26	(117,705)	4,432
(Loss) / profit before tax		(38,770)	47,738
Taxation expense	27	24,618	(9,683)
(Loss) / profit for the year		(14,152)	38,055
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		179,383	1,344
Total comprehensive income for the year		165,231	39,399
Profit and total comprehensive income attributable to:			
Equity holders of the company		165,231	39,399
Basic earnings per share			
Basic (loss) / earnings per share (cents)	33	(4.26)	11.19
Diluted earnings per share (cents)	33	(4.26)	11.19

Texton Property Fund Limited

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Financial Statements for the year ended 30 June 2023

Statement of Changes in Equity

	Share capital R `000	Foreign currency translation reserve R `000	Share based payment reserve R `000	Accumulated loss R `000	Total R `000
Balance as at 30 June 2021	2,829,221	(153,188)	145	(556,100)	2,120,078
Total comprehensive income for the year	-	1,344	-	38,055	39,399
Profit for the year	-	-	-	38,055	38,055
Other comprehensive income	-	1,344	-	-	1,344
Dividends recognised as distributions to shareholder	-	-	-	(161,969)	(161,969)
Treasury shares acquired	(33,399)	-	-	-	(33,399)
Share based payment transaction	-	-	262	-	262
Balance as at 30 June 2022	2,795,822	(151,844)	407	(680,014)	1,964,371
Total comprehensive income for the year	-	179,383	-	(14,152)	165,231
Loss for the year	-	-	-	(14,152)	(14,152)
Other comprehensive income	-	179,383	-	-	179,383
Dividends recognised as distributions to shareholder	-	-	-	(23,260)	(23,260)
Shares repurchased and cancelled	(6,278)	-	-	-	(6,278)
Treasury shares acquired	(2,730)	-	-	-	(2,730)
Share Based Payment transaction	-	-	(320)	-	(320)
Balance as at 30 June 2023	2,786,814	27,539	87	(717,426)	2,097,014
Notes	15				

Texton Property Fund Limited

(Registration Number 2005/019302/06)

Financial Statements for the year ended 30 June 2023

Statement of Cash Flows

	Notes	2023 R `000	2022 R `000
Group			
Cash flows from operating activities			
Cash generated by operations	28	161,673	144,640
Interest received		14,172	1,842
Interest paid		(92,743)	(85,553)
Dividends paid	30	(23,260)	(161,969)
Dividends received		18,305	-
Tax (paid)/refund	27	(12,552)	17,418
Net cash inflow/(outflow) from operating activities		65,595	(83,622)
Cash flows from investing activities			
Additions to equipment	6	(1,381)	(3,322)
Additions to investment property	5	(9,271)	(32,170)
Proceeds on disposal of investment property classified as held for sale		132,382	400,110
Return of investment		139,985	1,963
Vendor finance repayments		3,000	-
Loans provided for supplier and enterprise development		(1,000)	
Commission Paid	8	(1,745)	(2,648)
Investment in unlisted investments	14	(60,327)	(442,263)
Escrow funds received relating to the sale of a property		5,167	840
Tenant installation incurred	7	(3,493)	(10,225)
Net cash inflow/(outflow) from investing activities		203,317	(87,715)
Cash flows from financing activities			
Treasury shares acquired	15	(2,730)	(33,399)
Shares repurchased and cancelled	15	(6,278)	
Settlement of the cross-currency swap		-	(1,751)
Proceeds from external loans and derivative financial instruments	29	55,000	254,268
Repayments of external loans and derivative financial instruments	29	(190,160)	(288,619)
Debt structuring fees paid	30	-	(2,728)
Lease liability payment	18	(222)	(478)
Net cash outflow from financing activities		(144,390)	(72,707)
Net increase/(decrease) in cash and cash equivalents for the year		124,522	(244,044)
Cash and cash equivalents at the beginning of the year		122,278	360,086
Effect of exchange rate movement on cash and cash equivalents		33,316	6,236
Cash and cash equivalents at the end of the year	11	280,116	122,278

Texton Property Fund Limited

(Registration Number 2005/019302/06)

Financial Statements for the year ended 30 June 2023

Accounting Policies

Preparation of the financial statements

The principal accounting policies applied in the preparation of the consolidated financial statements are set out in the notes to the financial statements and are consistent with those applied in the previous year, unless otherwise stated.

The consolidated financial statements were authorised for issue by the Board of directors on 22 September 2023.

1. Basis of preparation

1.1 Reporting entity

Texton Property Fund Limited is a company listed on the JSE and is domiciled in the Republic of South Africa. The consolidated annual financial statements include the financial statements of Texton Property Fund Limited ("Texton" or "the Company" or "the Fund"), its subsidiary companies, joint ventures and controlled trust (together referred to as the Group and individually as Group companies). Where reference is made to the "Group", this means the Company or the Group as appropriate in the context in which it applies.

Subsidiaries are set out in the Directors' Report.

1.2 Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRS, the International Financial Reporting Interpretations Committee, SA Financial Reporting Requirements, the JSE Listings Requirements and the requirements of the Companies Act.

1.3 Basis of measurement

The financial statements are prepared on the historical cost basis, unless otherwise stated. The accounting policies set out below have been applied consistently to all periods presented in these financial statements. The financial statements are prepared on the basis that the Group is a going concern.

1.4 Functional and presentation currency

All items in the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated annual financial statements are presented in SA Rand, which is Texton Property Fund Limited's functional and the Group's presentation currency.

1.5 Use of estimates and judgements

Significant Estimates

The most significant estimates and assumptions that may have a material impact on the financial statements are as follows:

Valuation of investment property

The Board has used the best available evidence to determine the fair value of investment properties as set out in note 5 to the financial statements. This includes current market prices for properties with similar characteristics and leases and cash flow projections. As the available information is not directly comparable, the amounts are determined within a reasonable range of fair value. The principal assumptions underlying the Board's estimation of fair value are disclosed in note 5 and include the receipt of contracted rentals, lease renewals, maintenance requirements, operational costs and appropriate discount and exit capitalisation rates.

The sensitivity analysis in note 5 provides detailed information on the changes in inputs on the valuation of investment property.

Texton Property Fund Limited

(Registration Number 2005/019302/06)

Financial Statements for the year ended 30 June 2023

Accounting Policies

Basis of preparation continued...

Other areas of significant judgement and estimation:

- Expected credit loss ("ECL") provision for trade receivables such as the use of market information, the credit ratings applied to categories of tenants, market growth rates and market data relating to probability of default percentages applied to calculate the ECLs. For further information, refer to note 10.
 - Valuation of unlisted investments. For more information, refer to note 14.
- There were no areas of significant judgement other than those involving estimation.

2. Accounting policies

2.1 Basis of consolidation

The consolidated financial statements include the assets, liabilities and results of operations of the holding company, its subsidiaries and controlled trusts. A separate set of Company annual financial statements is drafted and are signed on the same day as the consolidated financial statements.

Subsidiaries

Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to govern the financial and operating policies thereof. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Accounting for Joint Ventures

Under the equity method, interests in joint ventures are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, until the date on which significant influence or joint control ceases. Unrealised gains on transactions between the Group and a joint venture are eliminated to the extent of the Group's interest therein. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Business combinations

All business combinations are accounted for by applying the acquisition method in terms of IFRS 3.

Where the Group obtains control of entities that own investment properties, or when the Group acquires properties or a Group of properties collectively, an evaluation is performed as to whether such acquisitions should be accounted for as business combinations or acquisitions in terms of IAS 40, Investment Properties.

An acquisition is not considered to be a business combination if the definition of a business is not met.

The acquisition method is used to account for business combinations. Consideration transferred includes the fair values of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of acquisition. Identifiable assets acquired as well as liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. Acquisition-related costs are expensed as incurred. The excess of the consideration transferred over the fair value of the Group's share of the identifiable net assets of the subsidiary acquired is recorded as goodwill. If the consideration transferred is less than the Group's share of the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in profit.

Texton Property Fund Limited

(Registration Number 2005/019302/06)

Financial Statements for the year ended 30 June 2023

Accounting Policies

Accounting policies continued...

For the acquisition of subsidiaries not meeting the definition of a business, the Group allocates the cost between the individual identifiable assets and liabilities in the Group on their relative fair values at the date of acquisition. Such transactions or events do not give rise to goodwill.

Transactions eliminated on consolidation

Intra-Group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

2.2 Financial instruments

Classification

Financial instruments are contracts that give rise to financial assets in one entity and a financial liability or equity instrument in another entity.

Non-derivative financial assets

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss or amortised cost. The classification depends on the contractual cash flow characteristics of the financial assets as well as the business model concerning the assets and is determined on initial recognition. Subsequently, financial assets are not reclassified unless the Group amends its business model for managing these financial assets.

The Group's non-derivative financial assets comprise trade and other receivables, cash and cash equivalents and loans which are classified as financial assets at amortised cost and unlisted investments held at fair value through profit or loss.

On initial recognition, financial assets are measured at fair value plus, for financial assets not measured at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets. Subsequently, the Group measures financial assets either at amortised cost or fair value through profit or loss.

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The objective is to hold assets to collect contractual cash flows, in line with the Group's business model, and;
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets are measured at fair value through profit or loss unless they are measured at amortised cost.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset.

The Group's non-derivative financial assets consist of:

- **Trade and other receivables**

Trade and other receivables are recognised at trade date at fair value and subsequently at amortised cost. Trade receivables are amounts due from tenants for contractual lease charges and recoveries and are classified as current unless recovery is expected more than 12 months from the reporting date.

Refer to note 10 for the composition of trade and other receivables.

The Group adopts the simplified approach to measuring expected credit losses which uses a lifetime ECLs for all trade receivables.

Texton Property Fund Limited

(Registration Number 2005/019302/06)

Financial Statements for the year ended 30 June 2023

Accounting Policies

Accounting policies continued...

- **Other Receivables**

Other receivables are recognised at the trade date at fair value and subsequently at amortised cost. Other receivables are amounts that comprise of vendor financing in terms of investment property disposed.

Other receivables are carried at amortised cost, being the gross carrying amount less an allowance for ECLs. Interest earned is recognised on an accrual basis using the effective interest method.

Refer to note 9 for the composition of other receivables

- **Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits. Cash and cash equivalents are carried at amortised cost which approximates fair value.

- **Unlisted investments**

Unlisted investments are carried at fair value through profit or loss and the transaction costs are immediately recognised in profit or loss. On each measurement date, the investment is remeasured to its fair value and all gains and losses are recognised in the income statement through profit or loss.

Non-derivative financial liabilities

Initial recognition of financial liabilities is at fair value less directly attributable transaction costs.

A financial liability is derecognised when its contractual obligations are discharged or cancelled or expire.

Subsequent to initial recognition, these financial liabilities are measured as follows:

- **Trade and other payables**

Trade and other payables are measured at amortised cost using the effective interest rate method.

- **External loans**

Non-derivative financial liabilities comprising long-term interest-bearing loans are subsequently measured at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings, is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

Derivative financial instruments

The Group utilises derivative financial instruments to hedge its exposure to interest rate risks and foreign currency risks arising from operational, financing and investment activities. The company does not hold or issue derivative financial instruments for trading purposes and hedge accounting is not applied

Derivative financial instruments are recognised initially at fair value. Attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value. The gain or loss on measurement to fair value is recognised immediately in profit or loss.

The Group's derivative financial instruments comprise interest rate swaps, however, these have expired during the year.

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Accounting Policies

Accounting policies continued...

Stated capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

2.3 Investment property

Investment property is property (land and buildings) held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

On initial recognition, the investment property is measured at cost. The cost of investment property comprises the purchase price and directly attributable expenditure. Subsequent expenditure relating to investment property is capitalised when it is probable that it will result in future economic benefits and such expenditure can be measured reliably. All other subsequent expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequently, investment property is measured at fair value. Fair values are determined annually by external independent registered valuers and internally by the directors on the open market value basis. The valuers use either the discounted cash flow method or the capitalisation of net income method or a combination of both methods to determine the fair value. Gains or losses arising from changes in the fair values of investment property are included in profit or loss in the year in which they arise.

Investment property is maintained, upgraded and refurbished where necessary in order to preserve or improve the capital value as far as it is possible to do so. Maintenance and repairs which neither materially add to the value of the properties nor prolong their useful lives are charged against profit or loss.

Realised gains or losses on the disposal of investment property are recognised in profit for the year and are calculated as the difference between the proceeds and the carrying amount of the investment property as determined at the last valuation date.

When the Group begins to redevelop an existing investment property for continued future use as investment property, the property remains investment property which is measured based on the fair value model and is not reclassified as property, plant and equipment during the redevelopment.

2.4 Equipment

Recognition and measurement

Items of equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Subsequent expenditure on items of is capitalised when it is probable that future economic benefits associated with that expenditure will flow to the Group and such expenditure can be measured reliably. All other subsequent expenditure is recognised in profit or loss in the period in which it is incurred.

When parts of an item of equipment have different useful lives and a cost that is significant in relation to the total cost of the item, they are accounted for as separate items (major components) of equipment.

Gains and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with the carrying amount of the item of equipment, and are recognised net within other income in profit or loss.

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Accounting Policies

Accounting policies continued...

Depreciation

Depreciation is calculated by allocating the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value on a systematic basis over the useful life of the asset.

Depreciation is recognised in profit or loss on a straight-line basis over the current estimated useful lives of each significant component of plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

Equipment	3 – 5 years
Furniture and fittings	6 years
Computer equipment	3 years
Motor vehicles	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

2.5 Impairment

Non-derivative financial assets

- **Trade receivables**

The Group recognises a loss allowance for ECLs on trade and other receivables which are financial assets. The amount of ECLs is updated at each reporting period. The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs (the so-called "simplified approach" of IFRS 9), which represents the ECLs that will result from all possible default events over the expected life of the financial asset.

The Group makes use of a provision matrix as a practical expedient in the determination of ECLs on trade and other receivables. The provision matrix is based on historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date.

The customer base is diverse with significantly different loss patterns for different customer segments. The Group combines customer segments which share similar credit risk characteristics for purposes of determining the credit loss allowance. Details of the provision matrix, per customer segment, are presented in note 10.

- **Other receivables**

The Group recognises a loss allowance for ECLs on other receivables that are carried at amortised cost. The amount of ECLs is updated at each reporting date to reflect changes in credit risk since initial recognition.

The loss allowance is measured using, what is referred to as the general approach, at an amount equal to lifetime ECL when there has been a significant increase in credit risk since initial recognition. If the credit risk has not increased significantly since initial recognition, then the loss allowance is measured at 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of an instrument, while 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date.

Refer to note 9 for further detail.

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Accounting Policies

Accounting policies continued...

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the loan's carrying amount through a loss allowance account.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment property, are reviewed at each reporting date to determine whether there is an indication of impairment. If such an indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss. The recoverable amount of an asset is the greater of its value in use and its fair value less costs of disposal. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and there is an indication that the impairment loss no longer exists.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.6 Lease commissions

Letting commissions are written off over the period of the lease.

2.7 Investment property held for sale

Investment properties are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than continuing use.

Investment properties are only classified as held for sale when the property is available for immediate sale in its present condition, the Company is committed to a plan to sell the investment property, an active plan has been launched to locate a buyer and complete the sale, the property is being actively marketed at a sale price that is reasonable in relation to the current fair value of the non-current asset or disposal Group and the sale is expected to qualify for recognition as a completed sale within one year from the date of classification.

Investment property classified as held for sale is measured in accordance with IAS 40 Investment Property at fair value with gains and losses on subsequent measurement being recognised in profit or loss.

2.8 Treasury shares

Company shares held by subsidiaries are classified as treasury shares on consolidation and presented as a deduction from equity. These shares are held at cost in the consolidated financial statements.

Statement of financial position presentation

On purchase, the cost of the shares acquired is deducted from equity. Subsequently, any gain or loss on the sale or cancellation of the Company's own equity instruments is recognised directly in equity.

Statement of comprehensive income presentation

Dividends received on own shares are eliminated from Group profit for the year.

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Accounting Policies

Accounting policies continued...

Earnings per share

In calculating the basic earnings per share, the treasury shares are deducted from the weighted average number of shares in issue. The issued number of shares is not reduced by the treasury shares for the purpose of the dividend per share calculations.

2.9 Dividends paid

Dividends or other distributions to the holders of equity instruments, in their capacity as owners, are recognised directly in equity on the date of declaration.

2.10 Leases

Lessor accounting

The Group is party to numerous leasing contracts as the lessor of property. All leases are operating leases, which are those leases where the Group retains a significant portion of the risks and rewards of ownership.

The Group allocates the consideration to each lease and non-lease component based on the amount as stipulated in the lease agreement as the rental for the asset is separate from the recovery of expenses.

An adjustment is made to contractual rental income earned to bring to account in the current period the difference between the rental income that the entity is currently entitled to and the rental for the period calculated on a smoothed, straight-line basis over the period of the lease term. This does not affect distributable earnings.

Costs incurred in obtaining an operating lease are capitalised and these costs are recognised as an expense over the lease term.

Costs incurred in earning the lease income are recognised as an expense.

Modifications to an operating lease are accounted for from the effective date of the modification, considering any lease income received in advance or accrued lease payments relating to the original lease as part of the lease payments for the modification.

Lessee accounting

The Group is party to lease contracts as lessee for the use of property and information technology ("IT") equipment.

The Group allocates the consideration to each lease and non-lease component based on the amount as stipulated in the lease agreement as the rental for the asset is separate from the recovery of expenses.

• **Right of use asset**

The Group recognises the right-of-use asset at the commencement date of the lease. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liabilities, any initial direct costs incurred by the Group, any lease payments made in advance of the lease commencement date, less any incentives received.

Right-of-use assets recognised as investment property are subsequently measured at fair value.

• **Lease liability**

The lease liability is initially measured at the present value of the future lease payments discounted using the interest rate implicit in the lease, or if that rate is not readily determinable, the Group's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise:

- fixed payments; and
- variable lease payments dependent on an index or a rate, initially measured using the index or rate as at the lease commencement date.

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Accounting Policies

Accounting policies continued..

Subsequent to initial measurement, the lease liability will be reduced for payments made and increased by the interest cost. Interest costs are included in finance costs in the statement of profit or loss and other comprehensive income over the lease period.

• **Low-value leased assets**

Rentals for the low-value leased assets are recognised in other operating expenses. Low-value assets include IT equipment. The Group has applied the exemption in IFRS 16 for this asset, and a lease liability and right-of-use asset have not been recognised. The threshold for low-value assets are R100 000.

The rental is straight-lined over the lease term.

• **Variable lease payments**

Variable lease payments that are based on turnover rental are excluded from the initial measurement of the lease liability and are recognised under property expenses. This has been disclosed separately under note 22.

Variable lease payments as described above are expensed as incurred.

• **Short-terms leases**

Lease contracts with a term of less than 12 months is considered a short-term lease. The Group has applied the exemption in IFRS 16, and a lease liability and right-of-use asset have not been recognised.

These lease payments are expensed as incurred.

2.11 Revenue

Revenue comprises rental income and recovery of expenses, excluding value added tax ("VAT").

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income over the term of the lease.

Tenant recoveries are levied monthly in arrears as a result of the Group recovering costs of providing the tenant with services as determined by the lease agreement. The Group negotiates the terms of the service, manages the relationship with the suppliers and is liable for payment (even if the property is vacant or the expense is not recovered from the tenant), and therefore maintains primary responsibility for providing the service. The Group acts as a principal on its own account when recovering operating costs from the tenant. The frequency and value of these recoveries are not detailed in the lease agreements as they are based on actual expenses incurred, therefore revenue from recoveries is accounted for in accordance with IFRS 15.

Revenue is recognised when a lease is signed and the tenant has taken occupation of the premises. Rental and recoveries are billed on a monthly basis on the SA properties and payment is due within the month either by the 1st or 15th of the month depending on the terms of the lease. For the properties located in the UK, rental is billed and received quarterly.

2.12 Finance income and finance costs

Finance income comprises interest income on bank balances, and interest on interest rate swaps. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on bank balances, interest on interest rate swaps and bank loans. Finance costs are expensed in the period in which they are incurred.

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Accounting Policies

Accounting policies continued...

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised to the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. Other borrowing costs are expensed in the period in which they are incurred. Borrowing costs that are not directly attributable to the acquisition, construction or production of qualifying assets are recognised in profit or loss using the effective interest method.

2.13 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Group at the exchange rates as at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate as at the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate as at the date that the fair value was determined.

Foreign currency differences arising on translation are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Group's presentation currency (Rand) at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to Rand at the monthly average rate which approximates the actual rate.

Foreign currency translation reserve

Foreign currency differences on translation of the financial position and results of a foreign operation into the Group's presentation currency are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is disposed of, in part so that control is lost, or in full, the relevant amount in the foreign currency translation reserve is reclassified to profit or loss as part of the profit or loss on disposal.

Where the settlement of a monetary item receivable from foreign operations is neither planned nor likely in the foreseeable future, foreign currency gains or losses arising from such item are considered to form part of the net investment in the foreign operation and are recognised in other comprehensive income and accumulated in the foreign currency translation reserve in equity.

2.14 Employee benefits

Short-term employee benefits

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related services on an undiscounted basis. The accrual for employee entitlements to salaries, bonuses and annual leave represents the amount which the Group has a present obligation to pay as a result of employees' service provided to the statement of financial position date. The Group does not provide any retirement or post-retirement benefits.

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Accounting Policies

Accounting policies continued...

Equity-settled share-based employee remuneration

For equity-settled share-based payment transactions, the Group measures the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. If the Group cannot estimate reliably the fair value of the goods or services received, the Group measures their fair value, and their corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

The Group operates a Conditional Share Plan, which is classified as an equity-settled share-based payment plan, under which it receives services from employees as consideration for equity instruments of the Group. The beneficiaries under the scheme are executive directors and management. The fair value of the employee services received in exchange for the grant of shares is recognised as an expense on a straight-line basis over the vesting period, with a corresponding adjustment to the share-based payment reserve.

The total amount expensed to profit or loss is determined by reference to the fair value of the rights to the equity instruments granted, including any market performance conditions and excluding the impact of any non-market performance vesting conditions. Non-market performance vesting conditions are included in assumptions regarding the number of shares granted that are expected to vest. At the end of each reporting period, the Group revises its estimates of the number of shares granted that are expected to vest and recognises the impact of any changes in profit or loss with a corresponding adjustment to equity.

The effect of all conditional shares granted is taken into account when calculating diluted earnings and diluted headline earnings per share.

2.15 Income tax

Tax expenses

The charge for current taxation is based on the taxable income for the year using the rates enacted or substantively enacted at the reporting date and any adjustment for tax payable or receivable for previous years.

The Group is not liable for income tax in SA to the extent of amounts distributed as it qualifies as a REIT in terms of the appropriate tax legislation and distributable profits are distributed as dividends. Profits that are not distributable in terms of section 25BB of the Income Tax Act are subject to SA tax at the applicable rate.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax

South Africa

The Group is a REIT as defined by section 25BB of the SA Income Tax Act which allows a deduction of the qualifying distribution to shareholders limited to taxable income. To the extent that no tax will become payable in future as a result of section 25BB, no deferred tax was recognised on assessed losses and items such as IFRS accounting adjustments.

To the extent that no material amounts of tax will be payable in the future as a result of future profit distributions, no deferred tax is raised on items such as a straight-line rental revenue adjustment and income received in advance.

Deferred tax is not recognised on the fair value adjustment of investment properties as capital gains tax is not applicable in terms of section 25BB. In addition, section 25BB does not allow for allowances relating to immovable property.

Allowances granted in prior years, before becoming a REIT, must be recouped in the year the immovable property is sold. A deferred tax liability will be recognised on the recoupment to the extent it will result in a tax liability after the qualifying distribution deduction.

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Accounting Policies

Accounting policies continued...

United Kingdom and United States of America

The subsidiaries in the UK and US are subject to the normal corporation tax ("CIT") legislation in the UK and US and the special REIT rules do not apply.

A deferred tax asset has been recognised on tax losses to the extent that there are future taxable profits against which it can be offset. Recognised tax losses relate to tax obligations under CIT. A deferred tax liability is recognised on capital allowances utilised to be recouped through sale and fair value adjustments of investment property as these are to be recovered entirely through sale.

2.16 Related party transactions

Related party transactions are transactions which result in a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. Related parties refer to entities which the Group directly or indirectly, through one or more intermediaries, controls or is controlled by or is in common control with. These include the subsidiaries and Group entities. Related parties also include the directors and the entities connected to the above.

2.17 Earnings per share

The Group presents basic, diluted and headline earnings and diluted headline earnings per share. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of shares outstanding during the year, adjusted for treasury shares held.

Diluted earnings per share is determined by dividing the profit or loss attributable to shareholders by the weighted average number of shares outstanding, adjusted for treasury shares held and the effects of all dilutive potential shares.

Headline earnings per share is calculated by dividing the headline earnings attributable to shareholders of the Group by the weighted average number of shares outstanding during the year, adjusted for treasury shares held.

Diluted headline earnings per share is calculated by dividing the headline earnings attributable to shareholders by the weighted average number of shares outstanding during the year, adjusted for treasury shares held and the effect of all dilutive potential shares.

Headline earnings per share is calculated in terms of circular 01/2023 issued by the South African Institute of Chartered Accountants.

2.18 Net asset value ("NAV") per share and net tangible asset value less deferred tax per share

NAV per share is calculated by dividing the equity of the Group by the number of shares in issue at year-end adjusted for treasury shares held.

Net tangible asset value per share is calculated by dividing the equity excluding deferred tax of the Group by the number of shares in issue at year-end adjusted for treasury shares held.

2.19 Segmental reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

All operating segments' operating results are reviewed regularly by the Group's chief executive officer to make decisions about resources to be allocated to the segment and to assess its performance and for which discrete financial information is available.

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Accounting Policies

Accounting policies continued...

Segment results that are reported to the chief executive officer include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly head office expenses and income tax assets and liabilities. Segment capital expenditure is the total cost incurred during the year to acquire investment property and property, plant and equipment.

2.20 Tenant installations

Tenant installation costs are capitalised and are depreciated over the lease term.

3. Risk management

The Company's Board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The audit and risk committee is responsible for developing the Group's risk management policies, and evaluating and improving the effectiveness of risk management, control and governance processes within the Group. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risk and adherence to limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. In respect of financial reporting risks, the Audit and Risk committee also oversees how management monitors compliance with the Group's risk management policies and procedures.

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these annual financial statements.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counter party to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from tenants. Credit risk also arises from the Group's cash balances and derivative financial instruments (where these are in asset position) held with financial institutions.

Exposure to credit risk is influenced mainly by the individual characteristics of each tenant. The widespread tenant base reduces credit risk. Management has established a credit policy under which each new tenant is analysed individually for credit worthiness before the Group's standard payment terms and conditions are offered which include, in the majority of cases, the provision of a deposit of at least one month's rental. When available, the review includes external ratings.

A loss allowance is recognised for all trade receivables and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation or when a thorough investigation of the tenant's financial position has been done and it has been found that the tenant is unable to pay and higher legal cost to recover the receivable than what is owed would be incurred. Trade receivables which have been written off are not subject to enforcement activities.

The Group makes use of a provision matrix to determine the loss allowance, in accordance with the simplified approach of IFRS 9. The provision matrix has been developed by making use of past default experience of debtors but also incorporates forward-looking information and economic conditions of the industry, geographical location and tenant types as at the reporting date.

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Accounting Policies

Risk management continued...

Trade receivables

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

- Region (SA/UK);
- Type of debtor (government, large listed, other);
- Arrears status of the debtor; and
- Where the debtor is in arrears, whether a payment was made in the month immediately preceding the financial year-end, or not.

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

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

Probability of default

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

- Certain entities, particularly the SA government, may be slow or irregular payers. A typical arrears or default provision is not necessarily held in such cases; and
- The terms of payment with certain entities may be such that payments are due less frequently than monthly.
- In the current year, the PD has been kept stable compared to the prior year, given the global recession.

Industry statistics that are publicly available from Moody's regarding historical default behaviour are utilised to estimate 12-month PDs for government entities, large listed corporates and other small and medium sized enterprises.

Loss given default

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

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

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

In addition to the loss allowance, trade and other receivables and tenant recovery accounts are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation. Trade receivables which have been written off are not subject to enforcement activities.

Other receivables

The Group adopts the general approach to measuring expected credit losses for all other receivables. Refer to note 9 for more information relating to the assumptions used in the calculation.

Cash and cash equivalents

The Group deposits funds and trades derivative instruments with various financial institutions in SA, UK and USA. From a credit perspective, the Group places reliance on the published credit ratings of the major rating agencies together with the Group's own analysis and research.

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Accounting Policies

Risk management continued...

Derivative financial instruments

The Group is exposed to credit risk in relation to derivative financial instruments which have a mark-to-market value in favour of the Group.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by monitoring cash flows and ensuring that adequate cash is available and by maintaining or renewing borrowing facilities as appropriate.

The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Surplus cash is, however, utilised to reduce the other financial liabilities to optimise the borrowing costs. The facility is, however, an access facility and the surplus can be redrawn at any time should it be required to settle financial obligations.

The Group monitors its net liquidity position on a continuous basis by means of expected cash flows. The Group seeks to reduce liquidity risk through the regular review of the maturity profile of financial liabilities to reduce refinancing risk, utilising facilities with differing maturities to reduce maturity concentration and by employing revolving credit and other similar facilities.

Refer to note 37.2 for the maturity analysis.

Market risk

Market risk is the risk that changes in the market prices, such as interest rates, foreign exchange rates and equity prices, will affect profit or loss or the value of the holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return on risk.

From the Group's perspective, the main market risks at present pertain to interest rates (both in SA and the UK) and the foreign exchange rates (principally the GBP/ZAR and USD/ZAR exchange rates). The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Group uses derivatives to manage market risks as and when needed. All such transactions are carried out within the Treasury policy guidelines as set by the Audit and Risk Committee.

The Group is exposed to general market risk relating to its unlisted investments. These investments are priced based on the underlying assets which are exposed to market risk.

The Group does not apply hedge accounting and does not enter into derivative contracts for trading or speculative purposes.

• Interest rate risk

The Group is exposed to interest rate risk on interest borrowings, cash and cash equivalents and other short-term interest bearing investments.

In the prior period, the Group entered into interest rate derivatives to manage borrowing costs. These have now expired during the year.

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Accounting Policies

Risk management continued...

• Foreign currency risk

The Group's transactions are predominantly entered into in the respective functional currency of the Company and the individual subsidiaries. However, the Company utilises GBP borrowings and consequently is exposed to exchange rate fluctuations that have an impact on cash flows and financing activities. The translation of foreign operations to the presentation currency of Texton is not taken into account when considering foreign currency risk.

The Group is exposed to currency risk in terms of GBP borrowings and distributions from subsidiaries. The Group is also exposed to currency risk in terms of its USD unlisted investments and distributions from its investments.

Refer to note 37.3 for the sensitivity analysis for interest rate and foreign currency risk.

Capital risk management

The Group's objectives when managing capital are to safeguard the ability of the Company and its subsidiaries to continue as going concerns in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of external loans and trade and other payables disclosed in notes 17 and 20 and equity as disclosed in the statement of financial position. The Group monitors capital on the basis of the gearing ratio (Loan to value ratio), refer to note 17.

The Group considers the equity attributable to shareholders as the permanent capital of the Group.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

4. Fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the methods below. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The Group has an established control framework with respect to the measurement of fair values.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third-party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported at each reporting date by the Group's Capital and Investment Committee for recommendation to the Board, and significant valuation issues are reported to the Group's Audit and Risk Committee.

Investment property

Independent valuation companies and the directors, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, value the Group's investment property portfolio annually. The fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation.

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Accounting Policies

Fair values continued...

Valuations reflect, when appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, and the market's general perception of their credit worthiness, the allocation of maintenance and insurance responsibilities between the Group and the lessee, and the remaining economic life of the property.

Derivatives

The fair value of interest rate swaps is based on banker quotes.

Unlisted investments

Texton has two types of unlisted investments which are measured at fair value.

Level 2 investments:

The fair value is determined with reference to the published NAV of the underlying REITs being the Blackstone Real Estate Income Trust iCapital Offshore Access Fund SPC and the Starwood Real Estate Income Trust Offshore Fund SPC. The NAV is an observable input at which market transactions take place.

Level 3 investments:

Level 3 investments include the PadSplit investments, Cadre real estate investment, the Greenpoint investment and Apollo. Fair values of these investments are determined based on the capital account valuations received from the sponsors.

Notes to the Financial Statements

5. Investment property

	Group				
	Cost R `000	Cumulative fair value adjustments R `000	Cumulative straight-line rental adjustment R `000	Cumulative foreign currency adjustment R `000	Carrying amount R `000
30 June 2023					
Investment property	2,150,901	(116,335)	45,428	(2,777)	2,077,217
30 June 2022					
Investment property	2,250,102	(75,037)	45,472	(99,822)	2,120,715

	30 June 2023 R `000	30 June 2022 R `000
Reconciliation of movement in investment property for the year		
Balance at the beginning of the year	2,120,715	2,501,366
Additions	9,271	31,204
Straight-line rental adjustment	2,068	(3,152)
Foreign currency translation adjustment	97,045	2,544
Fair value adjustments	(50,763)	(40,255)
Transfer to investment property held for sale	(101,119)	(370,992)
Balance at the end of the year	2,077,217	2,120,715

Reconciliation of closing balance of investment properties to valuation report.

Value as per valuation report	2,092,206	2,141,283
Net Prepaid Commission - Investment Property*	(4,314)	(7,141)
Net Tenant Installations - Investment Property*	(10,675)	(13,427)
Value of Properties	2,077,217	2,120,715

*In the prior year the net prepaid commission and tenant installations excludes the net balances reclassified as held for sale, with the exception of the Woodmead property's net commission and tenant installations.

A register of investment property is maintained. The register is maintained at the Company's registered offices and is available for viewing.

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 applied. There have been no movements to and from level 3 during the year.

The Group's policy is to have at least one-third of its properties externally valued by independent valuers each year and the remaining properties are valued internally by the directors of the company using methodology that is similar to that used by the independent valuers.

Investment property and property held for sale amounting to R2.2 billion (2022: R2.6 billion) have been pledged as security in respect of the loans disclosed in note 17.

Notes to the Financial Statements

Investment property continued...

The table below sets out the number of properties that have been selected by the directors to be externally valued as at 30 June 2023.

	% of portfolio	Number of properties	30 June 2023 R `000	30 June 2022 R `000
South Africa				
SA internally valued	65%	15	594,600	935,850
SA externally valued	35%	8	991,800	733,400
Total investment property	100%	23	1,586,400	1,669,250
SA internally valued	8	2	60,000	464,900
SA externally valued	4	1	36,500	-
Total investment property held for sale	100	3	96,500	464,900
Total SA properties	100	26	1,682,900	2,134,150
United Kingdom				
UK internally valued	-	-	-	-
UK externally valued	100	4	505,477	472,034
Total investment property	100	4	505,477	472,034
Total UK properties	100	4	505,477	472,034
Total				
Total internally valued	27	15	594,600	935,850
Total externally valued	68	12	1,497,277	1,205,434
Total investment property	96	27	2,091,877	2,141,284
Total internally valued	3	2	60,000	464,900
Total externally valued	2	1	36,500	-
Total investment property held for sale*	4	3	96,500	464,900
Total properties	100	30	2,188,377	2,606,184

*Refer to note 12.

Details of SA valuations

Details of the external independent valuers are as follows:

Peter Parfitt (Dip Val, MIV SA, RICS) of Quadrant Properties (Pty) Ltd who is independent and is a member of the South African Institute of Valuers, independently valued seven properties in the SA portfolio as at 30 June 2023.

Theunis Behrens (NDip Val) of Real Insight (Pty) Ltd who is independent and is a member of the South African Institute of Valuers, independently valued two properties in the SA portfolio as at 30 June 2023.

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.

Notes to the Financial Statements

Investment property continued...

Significant unobservable inputs

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

	30 June 2023	30 June 2022
	R `000	R `000
	%	%
1) Discount rates used are included below:		
Sector		
Office	13.50%-15.75%	13.55%-16.8%
Industrial*	-	16.00%
Retail	14.75%	14.75%
2) Exit capitalisation rate for year 5 used are included below:		
Sector		
Office	10%-11.25%	9%-12.55%
Industrial*	-	10.7%
Retail	9.50%	10%
3) The future revenue growth rate for the 5 year projection is included below:		
Sector		
Office	4.0%-7.0%	4.0%-6.0%
Industrial*	-	6.0%
Retail	7.0%	6.11%

In determining the valuations, we have adopted a conservative view on the forecast cash flows from the properties due to the current global recession.

*There is only one industrial property held by Texton, this property is held for sale and is valued at it's selling price. As such there are no inputs used for this property.

Inter-relationship between key unobservable inputs and fair value measurements

All other factors being equal, higher net operating income would lead to an increase in the valuation of an investment property, and an increase in the capitalisation rate or discount rate would result in a lower valuation and vice versa.

Higher assumptions for rental rates, would result in an increase in projected net operating income, and thus an increase in valuation.

	30 June 2023	30 June 2022
	R `000	R `000
Sensitivity analysis to exit capitalisation rates		
Exit capitalisation rate increases by 1%	(84,285)	(86,135)
Exit capitalisation rate decreases by 1%	103,481	108,035
Sensitivity analysis to discount rates		
Discount rate increases by 1%	(57,079)	(57,079)
Discount rate decreases by 1%	60,202	61,449
Sensitivity analysis to market rentals		
Market rental decreases by 1%	(15,720)	(15,905)
Market rental increases by 1%	15,848	15,955

Notes to the Financial Statements

Investment property continued...

Details of valuation - UK

Details of the external independent valuers are as follows:

For the UK portfolio, all properties are externally valued. The external valuations were carried out by Allsop for the year ended June 2023.

All external valuers are Registered Valuers of the Royal Institution of Chartered Surveyors ("RICS"), in the UK.

The valuation has been carried out in accordance with the current edition of the RICS Valuation - Professional Standards, published by The Royal Institution of Chartered Surveyors (the Red Book).

Valuation techniques

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

	30 June 2023	30 June 2022
	GBP	GBP
1) Annual market rentals per square foot used are included below:		
Sector		
Industrial	4.5-6.5	4.05-5.6
Retail	12.5-20.0	12.53-20.0
2) Equivalent yields used are included in the below table:		
Sector		
Industrial	6.1-6.6	5.18-6.5
Retail	9.08	8.34

In determining the valuations, we have adopted a conservative view on the forecast cash flows from the properties due to the current global recession.

Higher assumptions for rental rates and lower assumptions for operating costs would result in an increase in projected net operating income, and thus an increase in valuation.

Inter relationship between key unobservable inputs and fair value measurements

All other factors being equal, higher net operating income would lead to an increase in the valuation of an investment property, and an increase in the capitalisation rate or discount rate would result in a lower valuation and vice versa.

Higher assumptions for rental rates and lower assumptions for operating costs would result in an increase in projected net operating income, and thus an increase in valuation.

	30 June 2023	30 June 2022
	R `000	R `000
Sensitivity analysis to equivalent yields		
Equivalent yield increases by 1%	(69,886)	(73,162)
Equivalent yield decreases by 1%	93,939	106,220
Sensitivity analysis to market rentals		
Market rental decreases by 1%	(4,667)	(3,276)
Market rental increases by 1%	3,590	3,375

Notes to the Financial Statements

6. Equipment

6.1 Balances for the period

	Group		
	At cost	Accumulated depreciation	Carrying amount
Balance at 30 June 2023			
Equipment	16,843	(10,571)	6,272
Motor vehicles	165	(87)	78
Fixtures and fittings	173	(86)	87
Computer equipment	716	(621)	95
	17,897	(11,365)	6,532
Balance at 30 June 2022			
Equipment	17,270	(8,896)	8,374
Motor vehicles	165	(45)	120
Fixtures and fittings	173	(61)	112
Computer equipment	716	(468)	248
	18,324	(9,470)	8,854

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Notes to the Financial Statements**Equipment continued...****6.2 Movements for the period**

Movements for the year ended 30 June 2023	Carrying amount as at 1 July 2022	Additions	Depreciation	Transfer to investment property held for sale	Disposals	Carrying amount as at 30 June 2023
Equipment	8,374	1,381	(2,306)	(5)	(1,172)	6,272
Motor vehicles	121	-	(42)	-	-	79
Fixtures and fittings	113	-	(25)	-	-	88
Computer equipment	246	-	(153)	-	-	93
	8,854	1,381	(2,526)	(5)	(1,172)	6,532

Movements for the year ended 30 June 2022	Carrying amount at 1 July 2021	Additions	Depreciation	Transfer to investment property held for sale	Disposals	Carrying amount at 30 June 2022
Equipment	6,785	3,250	(1,657)	-	(4)	8,374
Motor vehicles	162	-	(41)	-	-	121
Fixtures and fittings	137	-	(24)	-	-	113
Computer equipment	364	72	(184)	-	(6)	246
	7,448	3,322	(1,906)	-	(10)	8,854

Notes to the Financial Statements

7. Tenant installation

	Group	
	30 June 2023	30 June 2022
	R `000	R `000
At cost	34,922	35,228
Accumulated depreciation	(24,247)	(21,285)
Carrying amount	10,675	13,943
Opening carrying amount	13,943	9,093
Additions	3,493	8,989
Transfer to held for sale	(2,413)	-
Depreciation	(4,348)	(4,139)
Closing carrying amount	10,675	13,943

8. Lease commissions

	Group	
	30 June 2023	30 June 2022
	R `000	R `000
Opening carrying amount	7,430	8,542
Commissions incurred during the year	1,745	2,648
Transfer to held for sale	(1,331)	-
Amortisation of letting commission	(3,530)	(3,760)
Closing carrying amount	4,314	7,430

Notes to the Financial Statements

9. Other receivables

Other receivables consist of vendor financing, amounts in escrow and deferred receivables related to the sale of certain properties during the year.

	Stage of loan	Group	
		30 June 2023 R `000	30 June 2022 R `000
Non-current			
<i>Vendor Financing</i>			
• Plenty Properties 121 (Pty) Ltd [^]	Performing	-	2,000
• Auzilia Consulting (Pty) Ltd [*]	Performing	17,000	-
Escrow account [#]		-	4,742
Deferred payment on sale of property [@]	Performing	4,000	4,000
Expected credit loss		(156)	-
Total other receivables		20,844	10,742
Current			
<i>Vendor Financing</i>			
• Isibaya Properties(Pty) Ltd ^{**}	Performing	9,661	-
Expected credit loss		(483)	-
Total other receivables		9,178	-

[^] The loan to Plenty Properties 121 (Pty) Ltd was interest-free for 12 months and thereafter bore interest at the prime interest rate. The loan was settled during the year.

^{*}The loan to Auzilia Consulting (Pty) Ltd bears interest at prime plus 4% per annum. R2million was received during the year as per the agreement, R7million is to be repaid on 21 December 2024 and the balance outstanding is to be paid on 21 December 2025. To the extent interest has not been paid it will be capitalised to the loan and accrue interest thereon.

^{**}The loan to Isibaya Properties (Pty) Ltd bears interest at prime plus 4% per annum and is repayable on 8 July 2023. To the extent interest has not been paid it will be capitalised to the loan and accrue interest thereon. In the event that the borrower does not pay the loan on 8 July 2023, the loan outstanding will bear interest at prime plus 7% per annum. There is a guarantee, cession and pledge in place in favour of the lender. As at the date of this report the loan was not repaid.

[#] Following the sale of Poundland in the UK, GBP450 000 was placed in an escrow account, based on certain conditions being met. The conditions were met during the year and accordingly the amount was released from Escrow.

[@] R4million relating to the sale of the Rynlal property has been deferred in terms of the sale agreement subject to the purchaser successfully concluding a lease with the City of Tshwane for parking. The carrying value of this amount approximates its fair value.

Impairment

An ECL allowance is recognised for all other receivables and is monitored at the end of each reporting period. Other receivables are written off when there is no reasonable expectation of recovery.

Reconciliation of credit loss allowance

	Group	
	30 June 2023 R `000	30 June 2022 R `000
Opening balance	-	-
Loss allowances on new other receivables	(639)	-
Closing balance	(639)	-

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Notes to the Financial Statements

Other receivables continued...

Credit rating framework and credit loss allowance

In order to determine the credit loss allowance, management determines credit rating grades for each of the other receivables.

In cases where there are no external ratings available, management has determined internal grades as per the following:

Internal rating grade	Definition
Performing	Low risk of default and no amounts are past due
Significant increase in credit risk	30 days past due but less than 90 days past due and no historical default
Default	90 days or more past due

All loans are graded as performing.

ECLs have been calculated in line with the general approach as follows in determining whether there has been an increase in the credit risk of the borrower. Should the receivable become more than 30 days past due, an assessment of the borrowers financial stability and ability to repay needs to be undertaken through the inspection of financial records and other available information. Where that assessment results in an inability to repay the loan, a significant increase in risk is identified and the ECL calculation in line with life time ECLs is applied. The lifetime ECL is effectively the sum of the expected life cycle of the asset' expected future loss after factoring in PDs based on a low, moderate and high scenarios and LGDs. Other receivables are only written off when a borrower has defaulted on the terms of the agreement or has ceased trading and has insufficient funds available to settle the borrowing. Discount rates used represent the interest rate attributable to the loan as per the requirements of IFRS 9. Changes in these discount rates do not have a material impact on the ECL calculation. During the current year there has been no significant increase in credit risk of any of the other receivables. All other receivables are performing and are within their credit terms.

Notes to the Financial Statements

10. Trade and other receivables

Trade and other receivables comprise:

	Group	
	30 June 2023	30 June 2022
	R `000	R `000
Trade receivables	15,671	17,005
Deposits	4,976	5,500
Tenant recovery account	8,744	10,545
Supplier and Enterprise development loans	1,001	300
Citosolve Investments (Pty) Ltd*	-	5,000
Allowance for impairment	(9,702)	(10,009)
	20,690	28,341
VAT	-	939
Prepayments	10,627	6,277
Total trade and other receivables	31,317	35,557

*The loan to Citosolve Investments (Pty) Ltd bore interest at prime and was repaid on 29 January 2023.

Exposure to credit risk

Trade and other receivables inherently expose the Group to credit risk. The policies and procedures adopted by the Group to manage credit risk arising from trade and other receivables are disclosed in note 3: Risk management.

An ECL allowance is recognised for all trade receivables and is monitored at the end of each reporting period.

In addition to the loss allowance, trade and other receivables and tenant recovery accounts are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation or a legal process has been followed and it has come to light that the tenant has no substantial assets that could be used to settle the amount owed. Trade receivables which have been written off are not subject to enforcement activities.

The Group makes use of a provision matrix to determine the loss allowance, in accordance with the simplified approach as presented on pages 46. The provision matrix has been developed by making use of market information such as property growth rates, credit ratings and general economic conditions of the industry as at the reporting date.

Collateral relating to bank guarantees and deposits from tenants was considered in the determination of the ECL.

Even though the customer base is widespread, management monitors tenant credit risk by grouping them according to their credit characteristics. Trade receivables were grouped as follows: government, large listed and other. The provision for credit losses is therefore based on the accounts receivable age analysis along these risk groupings. The loss allowance provision is determined as follows:

Notes to the Financial Statements

Trade and other receivables continued...

Tenant class	Group				Total R `000
	Current R `000	30 days R `000	60 days R `000	Over 90 days R `000	
30 June 2023					
Government					
- gross carrying amount	4,920	9	-	-	4,929
- loss allowance (%)	0.04	0.04	-	-	0.04
- credit loss allowance	(2)	-	-	-	(2)
Net amount	4,918	9	-	-	4,927
Large listed					
- gross carrying amount	1	-	-	-	1
- loss allowance (%)	0.01	-	-	-	0.01
- credit loss allowance	-	-	-	-	-
Net amount	1	-	-	-	1
Other					
- gross carrying amount	11,650	296	1,432	12,085	25,463
- loss allowance (%)	0.70	29.79	51.26	72.86	39.66
- credit loss allowance	(74)	(88)	(734)	(8,805)	(9,701)
Net amount	11,576	208	698	3,280	15,761
Total trade and other					
- gross carrying amount	16,571	305	1,432	12,085	30,393
- loss allowance (%)	0.46	28.85	51.26	72.86	31.93
- credit loss allowance	(76)	(88)	(734)	(8,805)	(9,703)
Net amount	16,495	217	698	3,280	20,690

Tenant class	Group				Total R `000
	Current R `000	30 days R `000	60 days R `000	Over 90 days R `000	
30 June 2022					
Government					
- gross carrying amount	5,412	153	24	-	5,589
- loss allowance (%)	0.04	-	-	-	0.04
- credit loss allowance	(2)	-	-	-	(2)
Net amount	5,410	153	24	-	5,587
Large listed					
- gross carrying amount	12	48	-	-	60
- loss allowance (%)	-	18.62	-	-	14.90
- credit loss allowance	-	(9)	-	-	(9)
Net amount	12	39	-	-	51
Other					
- gross carrying amount	20,654	901	1,720	9,426	32,701
- loss allowance (%)	0.50	37.94	65.36	89.42	30.57
- credit loss allowance	(103)	(342)	(1,124)	(8,429)	(9,998)
Net amount	20,551	559	596	997	22,703
Total trade and other					
- gross carrying amount	26,078	1,102	1,744	9,426	38,350
- loss allowance (%)	0.40	31.83	64.47	89.42	26.10
- credit loss allowance	(105)	(351)	(1,124)	(8,429)	(10,009)
Net amount	25,973	751	620	997	28,341

Notes to the Financial Statements

Trade and other receivables continued...

Reconciliation of credit loss allowance

	Group	
	30 June 2023 R `000	30 June 2022 R `000
Opening balance	(10,009)	(18,651)
Amounts written off	831	2,238
Loss allowances on new trade receivables	(944)	(3,471)
Reversal of allowances	420	9,875
Closing balance	(9,702)	(10,009)

Gross trade receivables has decreased by R3.6million compared to 2022 largely as a result of improved cash collections and recovery of balances.

In the current year, management has ensured that the current economic conditions have been factored into the PDs and LGDs used in the calculation.

Sensitivity analysis

Movements in the "PD" rates used would have the following impact on the ECL provision:

	30 June 2023 R `000	30 June 2022 R `000
- PD rates increase by 10%	970	913
- PD rates decrease by 10%	(970)	(913)

Movements in the "LGD" rates used would have the following impact on the ECL provision

	30 June 2023 R `000	30 June 2022 R `000
- LGD rates increase by 10%	970	913
- LGD rates decrease by 10%	(970)	(913)

Notes to the Financial Statements

11. Cash and cash equivalents

Group	
30 June 2023	30 June 2022
R `000	R `000
<hr/>	
Cash and cash equivalents comprise:	
SA bank balances	22,625
UK bank balances	25,121
	257,491
	97,157
	280,116
	122,278

Cash and cash equivalents comprise amounts which are immediately available and the carrying amounts are equivalent to the fair values.

All cash reserves are placed with reputable financial institutions. The bank's credit ratings are shown below which have an estimated potential default rating of zero, therefore an ECL of Rnil was raised.

Absa	Ba2 (Moody's Investor Services)
Standard Bank	Ba2 (Moody's Investor Services)
Investec	Ba2 (Moody's Investor Services)
HSBC	Aa3 (Moody's Investor Services)
Nedbank	Ba2 (Moody's Investor Services)

Notes to the Financial Statements

12. Investment property held for sale

	Group	
	30 June 2023	30 June 2022
	R `000	R `000
Opening balance	464,900	505,664
Transferred from investment property	101,119	370,992
Transferred from tenant installations	2,413	-
Transferred from lease commissions	1,331	-
Transferred from equipment	5	-
Fair value adjustments	(14,186)	(16,385)
Straight lining adjustment	(1,234)	-
Foreign currency translation reserve	-	15,925
Loss on disposal of investment property	(10,931)	(838)
Disposals *	(447,255)	(410,458)
Closing balance	96,162	464,900

*The disposal amount includes non-cash items due to vendor financing(refer to note 9).

Breakdown of closing balance

Cost	209,974	632,939
Cumulative straight-line adjustment	1,352	27,113
Cumulative fair value adjustment	(115,206)	(195,152)
Cumulative equipment	6	-
Cumulative commissions	36	-
Closing balance	96,162	464,900

The items classified as held for sale comprise investment properties. The items were classified as held for sale as a disposal strategy was identified prior to year-end and it is expected that the transfer of the assets will be concluded within the 2024 financial year-end.

These disposals are in line with the Group's strategy of reducing the non-core portfolio of assets and in terms of improving the overall balance sheet strength.

Management has assessed the assets that were previously held for sale(ie 12 Laub Street and certain sections of Wale Street) but not yet sold. These assets still meet the requirements of IFRS 5 and the sale of these assets is expected to conclude in the next 12 months.

Fair value losses of R14.2 million (2022: R16.4 million) for the Group were included in profit or loss for the year.

Assets of R96.1 million (2022:R464.9 million) are included in the South African segment. No assets from the UK segment are included under assets held for sale.

Direct property expenses of R1.6million (2022:R3.5 million) relating to a property which did not generate rental income, have been included in the operating expenses line in the statement of comprehensive income. The decrease in expenses from prior year relates to a credit received on rates received from council.

Notes to the Financial Statements

13. Current tax assets and liabilities

Current tax assets and liabilities comprise the following balances:

	Group	
	30 June 2023	30 June 2022
	R `000	R `000
Current tax assets that cannot be set off	5,080	3,242
Total current tax asset per the statement of financial position	5,080	3,242
Current tax liabilities that cannot be set off	(1,642)	(13,054)
Total current tax liability per the statement of financial position	(1,642)	(13,054)

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Notes to the Financial Statements**14. Unlisted investments**

Texton has invested in the US with five investments, and in the UK with one investment, as set out below:

2023

	Fair value Hierarchy	Commitment \$'000	Undrawn Commitment \$'000	Market Value \$'000	Market Value R'000	Dividend Income R'000
US investments						
Blackstone Real Estate Income Trust*	Level 2	12,500	-	12,889	243,273	8,548
Starwood Real Estate Income Trust*	Level 2	12,000	-	11,750	221,786	9,523
PadSplit Investment**	Level 3	2,500	-	2,190	41,250	156
Cadre real estate investment***	Level 3	5,000	1,873	3,048	57,408	94
GIM Investments/Apollo*****	Level 3	5,500	5,060	440	8,305	-
		37,500	6,933	30,317	572,022	18,321

	Fair value Hierarchy	Commitment £'000	Undrawn Commitment £'000	Market Value £'000	Market Value R'000	Dividend Income
UK investments						
Greenpoint/Infinium	Level 3	2,650	1,548	1,110	26,568	-

2022

	Fair value Hierarchy	Commitment \$'000	Undrawn Commitment \$'000	Market Value \$'000	Market Value R'000	Dividend Income
US investments						
Blackstone Real Estate Income Trust*	Level 2	12,500	-	13,125	214,006	3,221
Starwood Real Estate Income Trust*	Level 2	12,000	-	12,717	207,585	2,754
PadSplit Investment**	Level 3	2,500	-	2,500	40,765	-
Cadre real estate investment***	Level 3	5,000	3,976	1,024	15,514	-
		32,000	3,976	29,366	477,870	-
						5,975

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Unlisted investments continued...

Fair value Hierarchy	Commitment	Undrawn Commitment	Market Value	Market Value	Dividend Income	
	£'000	£'000	£'000	R'000		
UK investments						
Greenpoint/Infinium	Level 3	2,650	2,268	346	7,191	-

2023

	Opening Balance	Acquisitions	Fair Value Adjustments	Interest received	Foreign currency translation movement	Closing Value
Blackstone Real Estate Income Trust*	214,202	-	(13,977)	-	43,048	243,273
Starwood Real Estate Income Trust*	207,388	-	(27,044)	-	41,442	221,786
PadSplit Investment**	40,766	-	(5,830)	-	6,313	41,249
Cadre real estate investment***	15,514	37,202	1,889	2,803	-	57,408
Greenpoint/Infinium****	7,192	14,999	1,183	-	3,194	26,568
GIM Investments/Apollo*****	-	7,894	-	-	411	8,305
	485,062	60,095	(43,779)	2,803	94,408	598,589

2022

	Opening Balance	Acquisitions	Fair Value Adjustments	Interest received	Foreign currency translation movement	Closing Value
Blackstone Real Estate Income Trust*	-	186,700	27,502	-	-	214,202
Starwood Real Estate Income Trust*	-	180,955	26,433	-	-	207,388
PadSplit Investment**	-	38,251	-	-	2,515	40,766
Cadre real estate investment***	-	15,461	53	-	-	15,514
Greenpoint/Infinium****	-	8,061	(299)	-	(570)	7,192
	-	429,428	53,689	-	1,945	485,062

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Notes to the Financial Statements***Unlisted investments continued...*****Investment in Blackstone Real Estate Income Trust iCapital Offshore Access Fund SPC and Starwood Real Estate Income Trust Offshore Fund SPC***

Texton Property Investments UK Limited holds investments in Blackstone Real Estate Income Trust iCapital Offshore Access Fund SPC ("BREIT Offshore") and Starwood Real Estate Income Trust Offshore Fund SPC ("SREIT Offshore"). SREIT Offshore and BREIT Offshore are Cayman feeder funds for investments into BREIT and SREIT. The price of the underlying shares that are purchased in SREIT Offshore and BREIT Offshore is determined by NAV of the respective underlying investment fund. The NAV is displayed publicly on the website of the respective funds and is determined monthly in arrears. All transactions occur at NAV, and liquidity is provided monthly in the form of share buybacks which also occur at NAV. SREIT and BREIT are considered to be traded in dealer markets. Both of these investments are classified as level 2 fair value investments.

PadSplit investment **

Texton has invested in a pre-institutional-grade vehicle that will look to create a platform by aggregating single-family residential homes, specifically focused on affordable living. Texton is participating in the vehicle as a limited partner in WC Ort Homes Investor LP ("the vehicle"). The vehicle is sponsored by Watchung Capital as the general partner, in partnership with Padsplit. The strategy of the vehicle is to pursue the acquisition of several hundred homes for conversion into PadSplit -eligible properties. The initial focus is on a handful of target markets including Houston, Atlanta and Dallas.

Cadre real Estate investment***

Texton has invested alongside Cadre Real Estate Management, where we have entered into an investment advisory agreement to commit capital to Cadre for investments in real estate in the United States of America ("US "or "USA"). These investments will be targeted towards compelling assets with downside protection, specifically focusing on multi family, industrial, select office and select hospitality assets.

Greenpoint/Infinium:****

TPI No 2 has made a capital commitment to the Infinium Logistics Fund ("Infinium") domiciled in the UK. Infinium is an alternative asset class focused on the commercial parking sector in Europe.

GIM Investments/Apollo*****

TPI No 2 Limited entered into a capital commitment to partner with GIM Investments PCC Ltd ("GIM") for investments in the manufactured housing real estate sector in the United States of America. The capital commitment will be deployed over an expected two-year investment period, drawn down as and when transactions are identified in accordance with the investment guidelines. GIM has identified an opportunity to invest in the development of high-end manufactured housing communities to capitalise on the shortage of affordable housing in the US.

Notes to the Financial Statements

15. Share capital

	Group	
	30 June 2023	30 June 2022
	R `000	R `000
Authorised		
2 000 000 (2022: 2 000 000) ordinary shares of no par value		
Issued		
363 701 103 (2022: 365 638 418) ordinary shares of no par value	2,975,198	2,981,476
	2,975,198	2,981,476
32 001 768 (2022: 31 167 831) treasury shares of no par value	(188,384)	(185,654)
	2,786,814	2,795,822

15.1 Treasury shares

Texton continues to repurchase its shares in the open market and will do so in terms of the authority that was provided by shareholders at the AGM on 29 November 2021 and 30 November 2022. The Group holds treasury shares via Discus House, a subsidiary of Texton. Discus House purchased 685 182 shares during the year under review, bringing the total amount of shares held by Discus House to 31 853 013 shares (2022: 31 167 831).

Texton repurchased 2 086 070 shares during the year of which 1 937 315 were cancelled in the market. The remainder of the shares were cancelled subsequent to year-end.

	Group	
	30 June 2023	30 June 2022
	R'000	R'000
Share capital		
Ordinary shares of no par value		
Opening balance	2,795,822	2,829,221
Less: Treasury shares acquired	(2,730)	(33,399)
Less: Shares repurchased and cancelled	(6,278)	-
Closing balance	2,786,814	2,795,822

15.2 Share reconciliation

	Group	
	30 June 2023	30 June 2022
	Number of shares	Number of shares
Ordinary shares of no par value		
Opening balance	334,470,587	344,100,501
•Shares in issue	365,638,418	365,638,418
•Treasury shares	(31,167,831)	(21,537,917)
Movement during the year	(2,771,252)	(9,629,914)
Less: Treasury shares acquired	(833,937)	(9,629,914)
Less : Shares cancelled	(1,937,315)	-
Closing balance	331,699,335	334,470,587
•Shares in issue	363,701,103	365,638,418
•Treasury shares	(32,001,768)	(31,167,831)

Notes to the Financial Statements

16. Foreign currency translation reserves

Classification of reserves

The foreign currency translation reserve arose from the conversion of Texton Property Investments UK Limited from their functional currency, GBP, to SA Rand and from the conversion of TP US from USD to SA Rand on consolidation and from the conversion of the loan to TP US to foreign operations where settlement is neither planned nor likely in the foreseeable future and are considered to form part of the net investment in foreign operations. The loan between TPI UK and Texton from the prior year was settled during the year. The only remaining loan, is the loan provided to the US subsidiary.

	Group	
	30 June 2023	30 June 2022
	R `000	R `000
Opening balance	(151,844)	(153,188)
Movement through other comprehensive income	179,383	1,344
Closing balance	27,539	(151,844)

The closing exchange rate as at 30 June 2023 was R23.93:GBP1 (2022: R19.85:GBP1) and the average exchange rate for the 12 months ended 30 June 2023 was R21.42:GBP1 (2022: R20.34:GBP1). The closing exchange rate as at 30 June 2023 for USD Investments was R18.84:USD1 (2022: R16.31:USD1), the average rate for the 12 months ended 30 June 2023 was R17.78:USD1 (2022: R15.22:USD1).

17. External loans and derivative financial instruments

Summary

	Group	
	30 June 2023	30 June 2022
	R `000	R `000
Standard Bank Limited (note 17.1)	555,317	805,751
Investec Private Bank Limited (note 17.2)	125,516	294,601
HSBC (note 17.3)	300,659	246,182
	981,492	1,346,534
At fair value through profit or loss		
Interest rate swaps	-	(1,532)
Total swaps	-	(1,532)
	981,492	1,345,002

Reconciliation of non-current and current portion

Non-current portion	855,813	1,119,442
Current portion	125,679	225,559
	981,492	1,345,001

Notes to the Financial Statements

External loans and derivative financial instruments continued...

17.1 Standard Bank Limited

	Group	
	30 June 2023	30 June 2022
	R `000	R `000
Standard Bank Loan Facility	706,225	825,006
Less cash available in rolling credit facility	(150,000)	(18,500)
Carried at amortised cost	556,225	806,506
Net structuring fees capitalised to loan	(908)	(755)
	555,317	805,751
Amounts to be settled within 12 months included in current liabilities	(163)	(223,452)
	555,154	582,299

				Group	
				30 June 2023	30 June 2022
				R `000	R `000
Facility	Maturity date	Variable base rate	Margin %		
R150.0 million (2022: R131.5 million)*	30 June 2024	3 month JIBAR	2.20	-	131,500
R103.7 million (2022: R200.7 million)	30 September 2025	3 month JIBAR	2.10	103,695	200,718
R0million (2022: R50 million)	30 September 2022	Prime	(1.20)	-	22,735
R452.5 million (2022: R451.6 million)	30 September 2026	3 month JIBAR	2.25	452,530	451,553
				556,225	806,506

*R150.0 million(June 2022:R150.0 million) rolling credit facility. R150.0 million was deposited into the facility during the year and is available for draw down.

Texton has a security special purpose vehicle ("SPV"), Invula Income RF Proprietary Limited, in which all SA mortgage bonds are registered. Invula then issues guarantees to the various funders. Guarantees relate to the Group's own liabilities which are already fully disclosed.

The Standard Bank loans are secured by mortgage bonds over land and buildings located in SA with a value of R1 277.2 million(2022: R1 470.7 million).

Notes to the Financial Statements

External loans and derivative financial instruments continued...

17.2 Investec Private Bank Limited

	Group	
	30 June 2023 R `000	30 June 2022 R `000
Investec Loan Facility	192,237	312,926
Less cash available in rolling credit facility	(66,500)	(17,408)
Carried at amortised cost	125,737	295,518
Net structuring fees capitalised to loan	(221)	(917)
	125,516	294,601
Amounts to be settled within 12 months included in current liabilities	(125,516)	(1,843)
	-	292,758
Carried at fair value through profit or loss		
Interest rate swaps	-	2,221
Amounts to be settled within 12 months included in current liabilities*	-	(2,221)
	-	-

*The interest rate swaps expired on 24 May 2023.

Facility	Maturity date	Variable base rate	Margin %	Group	
				30 June 2023 R `000	30 June 2022 R `000
R244.6 million (2022: R316 million)	29 September 2023	3m JIBAR	2.50	125,737	244,586
R66,5 million (2022: R70,0 million)*	29 September 2023	Prime	(0.80)	-	49,089
				125,737	293,675

*R66,5 million (June 2022:R70.0 million) rolling credit facility.R66,5 million was deposited into the facility during the year and is available for draw down.

Texton has a security SPV, Invula Income RF Proprietary Limited, in which all SA mortgage bonds are registered. Invula then issues guarantees to the various funders.

The Investec loan is secured by mortgage bonds over land and buildings located in SA with a value of R378.9 million

	Fixed base rate (%)	Inception date	Maturity date	Group	
				30 June 2023 R `000	30 June 2022 R `000
Interest rate swap 1	7.23	24 May 2019	24 May 2023	-	100,000
Interest rate swap 2	7.39	24 May 2019	24 May 2023	-	100,000
				-	200,000

The interest rate swaps expired during the year.

Notes to the Financial Statements

External loans and derivative financial instruments continued...

17.3 HSBC

	Group	
	30 June 2023 R `000	30 June 2022 R `000
Carried at amortised cost	303,995	250,331
Net structuring fees capitalised to loan	(3,336)	(4,149)
	300,659	246,182
Amounts to be settled within 12 months included in current liabilities	-	(1,797)
	300,659	244,385
Carried at fair value through profit or loss		
Amounts to be settled within 12 months included in current liabilities	-	(3,753)
Interest rate swaps	-	-
	-	(3,753)

Facility	Maturity date	Variable base rate	Margin %	Group	
				30 June 2023 R `000	30 June 2022 R `000
GBP15.8 million (2022: GBP15.8 million)	23 June 2025	SONIA	2.10	303,995	250,332
				303,995	250,332

The HSBC loans are secured by mortgage bonds over land and buildings, situated in the UK and directly owned by Texton, after the restructure to the value of GBP21.1 million (2022: GBP23.8 million).

Interest rate swaps

	Fixed base rate (%)	Inception date	Maturity date	Group	
				30 June 2023 R `000	30 June 2022 R `000
Interest rate swap GBP 10.2million*	0.458	10 January 2022	15 May 2023	-	202,513
				-	202,513

*These are the nominal values of the interest rate swaps converted at the closing spot rate as at 30 June 2022.

The swap expired during the year.

Notes to the Financial Statements

External loans and derivative financial instruments continued...

17.4 Bank covenants

Funder	Transaction covenant		Actual covenant		Transaction covenant		Actual covenant		Transaction covenant		Actual covenant		Transaction covenant		Actual covenant		
	Group LTV	Facility LTV	Group interest cover	Facility interest cover	Projected interest cover	Historic interest cover	Group LTV	Facility LTV	Group interest cover	Facility interest cover	Projected interest cover	Historic interest cover	Group LTV	Facility LTV	Group interest cover	Facility interest cover	
2023																	
Standard	50%	24.8%	60%	43.0%	1.6 times	1.83 times	2.0 times	2.22 times	-	-	-	-	-	-	-	-	-
Investec	50%	33.1%	55%	36.9%	2.0 times	2.01 times	-	-	-	-	-	-	-	-	-	-	-
HSBC	-	-	55%	59.3%	-	-	-	-	1.75 times*	2.01	1.75 times	1.92 times	-	-	-	-	-
2022																	
Standard	50%	37.3%	60%	54.8%	2.0 times	2.1 times	2.0 times	2.3 times	-	-	-	-	-	-	-	-	-
Investec	50%	39.9%	55%	44.7%	2.0 times	2.1 times	-	-	-	-	-	-	-	-	-	-	-
HSBC	-	-	60%	52.7%	-	-	-	-	2.0 times	4.33	1.75 times	4.65 times	-	-	-	-	-

Texton did not meet the Standard Bank ICR at the facility level at 31 December 2022. However, this covenant breach was condoned by Standard Bank. As part of the refinancing of the Standard Bank facilities that was done during the year, the loan covenants for the loan facility was also negotiated, the facility LTV was reduced from 2.0 times to 1.60 times.

All other bank covenants were complied with during the year.

At 7 July 2023, a the breach level for the forecast interest cover ratio ("ICR") breach was identified with HSBC, however the breach was cured. Refer to note 39.

Following discussions with HSBC regarding the forecast breach it was agreed that the company would exercise Cure Rights under the Loan Agreement. As a result, £337,993 (R8.25 million) has been deposited into the Cure Account subsequent to year-end.

As per the Loan Agreement, once funds have been transferred into the Cure Account, the breach is considered "cured". Texton has received confirmation from HSBC that there is no longer an ICR breach.

Furthermore, given the decrease in the UK asset valuations due to the increase in interest rates, refer to note 39, the LTV covenant levels were exceeded. As at the reporting date, the Group was in discussions with HSBC to quantify the amount required to right size the loan to satisfy the required LTV covenants. The Group has sufficient liquidity on hand to manage these obligations.

17.5 Managing interest rate benchmark reform and associated risks

The global reform of interest benchmarks includes the replacement of some interbank offered rates ("IBOR") with alternative benchmark interest rates. The Group has exposure to IBORs on some of its loans and borrowings held with SA banks for which there remains uncertainty regarding the timing and method of transition. For the contracts indexed at Johannesburg Interbank Average Rate ("JIBAR"), uncertainty remains on the timing and method of transition. The contracts affected by the transition are set out in the table below.

2023

2022

Notes to the Financial Statements

Liabilities exposed to ZAR JIBAR maturing after 30 June 2023

Loans and	680,648	1,028,357
Derivatives	-	2,221
Total	680,648	1,030,578

18. Lease liability

	Group	
	30 June 2023 R `000	30 June 2022 R `000
Witwatersrand Estates Limited		
Opening balance	2,961	3,172
Total Lease Payment	(222)	(478)
Total Interest Charge	173	376
Total Lease liability	2,912	3,070
Lease liability ceded*	(2,912)	-
Current portion of lease liability reclassified to trade and other payables	-	(109)
	-	2,961

A lease was entered into over the properties Erf 531, Woodmead extension 5 and Erf 532, Woodmead Extension 5. The lease term is over 40 years with the option to renew.

*The Woodmead property was sold during the year and as part of the sale agreement, the lease liability over the property was ceded to the purchaser.

Maturity analysis of lease liability	< 1 year R `000	2-5 years R `000	> 5 years R `000	Total R `000
30 June 2022				
Undiscounted Lease payments				
Finance charges	472	1,417	4,132	6,021
Net present values	(363)	(1,002)	(1,587)	(2,952)
	109	415	2,545	3,069

Notes to the Financial Statements

19. Deferred tax

	Group	
	30 June 2023	30 June 2022
	R `000	R `000
Deferred tax asset	1,891	-
Deferred tax asset comprises:		
Tax losses	1,891	-
Deferred tax liability	9,337	24,833
Deferred tax liability comprises:		
Capital allowances	(3,866)	(7,018)
Fair value adjustments	(5,763)	(17,815)

The movement in deferred tax during the year is as follows:

Opening balance deferred tax liability	24,833	19,790
Foreign currency translation movement	4,558	1,002
Recognised in profit or loss	(21,945)	4,041
Closing balance deferred tax asset	1,891	-
Closing balance deferred tax liability	(9,629)	(24,833)

South Africa

The Group is a REIT as defined by Section 25BB of the SA Income Tax Act which allows a deduction of the qualifying distribution to shareholders, limited to taxable income. To the extent that no tax will become payable in future as a result of section 25BB, no deferred tax was recognised on assessed losses and items such as IFRS accounting adjustments. Deferred tax is not recognised on the fair value adjustment of investment properties as capital gains tax is not applicable in terms of section 25BB. In addition, section 25BB does not allow for allowances relating to immovable property. Allowances granted in prior years, before becoming a REIT, must be recouped in the year the immovable property is sold. A deferred tax liability will be recognised on the recoupment to the extent it will result in a tax liability after the qualifying distribution deduction.

The corporate tax rate is 27%(2022:28%).

United Kingdom

A deferred tax asset has been recognised on tax losses to the extent that there are future taxable profits against which it can be offset. Recognised tax losses relate to tax obligations to His Majesty's Revenue and Customs under CIT. A deferred tax liability is recognised on capital allowances utilised to be recouped through sale and fair value adjustments of investment property as these are to be recovered entirely through sale.

The UK CIT rate increased to 25% with effect from 1 April 2023. This rate change was substantially enacted in the UK prior to 30 June 2021. Therefore, a rate of 25% is used in calculating the reversal of deferred tax provisions. All deferred tax regarding investment property revaluations and capital allowances claimed will reverse at 25% unless there is an intention to sell off the remaining properties before 1 April 2023.

Refer to note 27 for details on changes in UK tax laws during the year.

Notes to the Financial Statements

20. Trade and other payables

Trade and other payables comprise:

	Group	
	30 June 2023 R `000	30 June 2022 R `000
Financial instruments		
Trade and other payables	3,282	11,339
Deposits received	9,407	12,606
Accrued expenses	16,945	15,718
Other payables	2,293	2,800
Non-financial instruments		
Income received in advance	17,480	17,388
Lease liability - Current portion	-	109
VAT payable	3,040	-
Total trade and other payables	52,447	59,960

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21. Investment property income

	Group	
	30 June 2023 R `000	30 June 2022 R `000
Rental income	230,922	268,548
Recoveries of utilities from tenants	66,933	67,810
	297,855	336,358

22. Property expenses

	Group	
	30 June 2023 R `000	30 June 2022 R `000
Cleaning	3,608	3,486
Commissions amortised	3,530	3,760
Depreciation	6,703	6,046
Electricity consumption	32,470	39,235
Gardens and landscaping	1,923	1,941
Insurance	4,172	3,833
Levies	5,359	8,875
Other municipal charges	2,419	3,824
Other property-related expenses*	12,608	10,345
Property management fees	654	9,396
Rates and taxes	21,963	31,374
Rental paid	2,720	3,247
Variable rent paid	2,720	2,612
Fixed Rental paid	-	635
Repairs and maintenance	4,491	5,413
Recovered from tenants	464	222
- Not recovered from tenants	4,027	5,191
Security	8,096	8,659
Water consumption	4,839	4,397
Waterproofing	452	225
	116,007	144,056

* Other property-related expenses include consumables, legal and professional fees, lift and air-conditioning contracts among others.

23. Other income

Other income comprises:

	Group	
	30 June 2023 R `000	30 June 2022 R `000
Sundry income	2,284	4,272
Dividends on unlisted investments	18,321	5,975
Reversal of impairment	35	-
	23,164	10,247

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24. Finance income

	Group	
	30 June 2023	30 June 2022
	R `000	R `000
Bank and other cash	9,346	1,833
Interest received on swaps	4,827	8,755
Interest from offshore investments	2,803	-
	16,976	10,588

25. Finance costs

	Group	
	30 June 2023	30 June 2022
	R `000	R `000
Amortised cost		
Standard Bank Limited (variable)	58,355	48,943
Investec Private Bank Limited (variable)	17,935	19,093
HSBC (variable)	14,336	6,824
Banks and other	397	1,667
Amortisation of structuring costs	3,156	5,005
Lease Liability	173	376
Fair value through profit or loss		
Interest rate swaps	1,753	9,313
Interest on currency swaps	-	2,534
	96,105	93,755

26. Fair value adjustments

	Group	
	30 June 2023	30 June 2022
	R `000	R `000
Investment property	(50,763)	(40,255)
Loss on disposal of property	(6,736)	(1,024)
Investment property classified as held for sale	(14,186)	(16,385)
Financial instruments at fair value through profit or loss		
Interest rate swap	(2,259)	9,179
Unlisted Investments	(43,761)	54,266
Admin charge - unlisted investments	-	(1,443)
Currency swap	-	94
	(117,705)	4,432

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27. Income Tax

27.1 Income tax recognised in profit or loss:

	Group	
	30 June 2023 R `000	30 June 2022 R `000
SA normal tax expense		
Current year	3,916	(3,980)
UK normal tax expense		
Current year	(1,243)	(1,662)
Deferred tax		
Current year	21,945	(4,041)
	24,618	(9,683)

In the budget speech held on 24 February 2022, the Minister of Finance of South Africa announced the reduction of the company income tax rate from 28% to 27% for financial years ending on or after 31 March 2023.

27.2 The income tax for the year can be reconciled to the accounting profit /(loss) as follows:

	Group	
	30 June 2023 R `000	30 June 2022 R `000
Profit/(loss) before income tax	(38,770)	47,738
Income tax at statutory rate-27%(2022:28.0%)	10,468	(13,367)
Accounting adjustments - Fair value	(13,556)	(20,490)
Accounting adjustments - IFRS	(462)	(3,699)
Non-deductible expenses	(964)	11,281
Non-taxable income	-	(16,983)
Wear and tear allowances	4,630	6,271
Recoupment	(2,779)	-
Scrapping allowance	1,476	-
Capital gains sheltered by Group losses	-	6,332
Balancing charge on capital allowances	-	(265)
Realise benefit of rent-free spreading	-	1,429
UK Normal tax expense - adjustment in respect of prior years	864	114
Deferred taxation - adjustment in respect of prior years	(6,014)	(1,917)
Overprovisions in prior years	1,147	-
Prior period Controlled Foreign Corporation Taxation	2,860	(2,860)
Impact of change in tax rates on deferred taxes	4,816	-
S6quat rebates	3,133	-
Foreign tax differential*^	5,499	8,348
Qualifying section 25BB REIT distribution	13,500	16,125
	24,618	(9,683)
Effective tax rate	20.29%	20.28%

*Relates to the difference in tax rate between SA and UK.

^Mostly relates to revaluation gains not giving rise to deferred tax in the UK segment due to Group losses.

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Income Tax continued...

The income tax for the period comprises current and deferred income tax and is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it will also be recognised in other comprehensive income or directly in equity as applicable.

SA taxation

The Group is a REIT and all subsidiaries in the Group are "controlled companies"(as defined by the Income Tax Act"). The Group applies judgement in determining what sources of income constitute "rental income" as defined by section 25BB of the Income Tax Act, after deducting "qualifying distributions".

UK taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

Changes in UK tax law

Finance Act 2021 increased the corporation tax rate from 19% to 25% with effect from 1 April 2023. Therefore, the accounts have been prepared on the basis that a 25% tax rate would be in force in future periods.

US taxation

The Group is exposed to US taxation via its holdings in TP US Investments LLC, which owns the investment in PadSplit.

Non-US investors are subject to net basis US income taxation and US tax filing requirements on income that effectively connected with a US trade or business ("ECI"). ECI is subject to US income tax at regular US income tax rates, which is currently 21% for corporations.

Non-US investors are subject to a 30% gross-basis US withholding tax on certain types of US source income that is not effectively connected with a US trade or business. This tax applies to dividends, interest, rent, royalties, and other fixed or determinable annual or periodical income. The tax may be reduced or eliminated by treaty.

	Group	
	30 June 2023	30 June 2022
	R `000	R `000
Income tax paid		
Income tax receivable at the beginning of the year	3,242	18,016
Income tax payable at the beginning of the year	(13,054)	(3,622)
Current year normal tax charged to profit or loss*	2,673	(5,625)
Foreign currency translation difference	(1,945)	(13)
Interest Payable as year-end	-	(1,150)
Income tax payable at the end of the year	1,642	13,054
Income tax receivable at the end of the year	(5,080)	(3,242)
	(12,522)	17,418

* Reconciliation to income tax per the statement of comprehensive income.

	30 June 2023	30 June 2022
	R `000	R `000
-Normal tax	2,673	(5,642)
-Deferred tax	21,945	(4,041)
	24,618	(9,683)

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28. Cash generated by operations

	Group	
	30 June 2023 R `000	30 June 2022 R `000
Profit/(loss) before tax	(38,770)	47,738
Adjusted for:		
Amortisation and depreciation	10,405	9,805
(Reversal of impairment)/impairment allowance	388	645
Dividends received	(18,460)	(5,975)
Reversal of impairment	(2,559)	
Loss/(profit) from joint venture	-	32,879
Finance income	(16,976)	(10,588)
Straight-line adjustment	(835)	3,152
Finance costs	96,105	93,755
Fair value adjustments	110,969	(6,900)
Share-based payment expense	(319)	262
Foreign exchange movement	13,687	(3,942)
Leave pay provision	(654)	295
Structuring fees amortised	3,156	-
Non-cash flow items	600	-
Loss on disposal of investment property	6,736	1,024
Transaction costs	-	2,054
Cash generated before working capital changes	163,473	164,204
Changes in working capital		
- Decrease/ (Increase) in trade and other receivables	7,013	8,694
- (Decrease)/Increase in trade and other payables	(8,813)	(28,258)
Cash generated by operations	161,673	144,640

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29. Liabilities arising from financing activities

Non-cash changes

Group

	1 July R'000	Cash flows* R'000	Foreign exchange movement R'000	Changes in fair values R'000	Non cash flow repayments^ R'000	Reclassification R'000	Structuring fees amortised R'000	Interest accrual R'000	Total R'000
30 June 2023									
Non-current interest bearing borrowings	1,119,194	(73,376)	45,787	-	(285,212)	44,356	3,156	1,908	855,813
Current interest bearing borrowings	231,819	(61,784)	-	-	-	(44,356)	-	-	125,679
Assets held to hedge long term borrowings	(6,011)	-	3,752	2,259	-	-	-	-	-
Total liabilities from financing activities	1,345,002	(135,160)	49,539	2,259	(285,212)	-	3,156	1,908	981,492
30 June 2022									
Non-current interest bearing borrowings	1,338,959	(28,081)	7,882	-	(3,500)	(200,718)	4,652	-	1,119,194
Current interest bearing borrowings	58,220	(12,740)	-	-	(18,429)	200,718	250	3,800	231,819
Assets held to hedge long term borrowings	10,431	-	-	(12,804)	-	(3,638)	-	-	(6,011)
Total liabilities from financing	1,407,610	(40,821)	7,882	(12,804)	(21,929)	(3,638)	4,902	3,800	1,345,002

*Reconciliation of cash flow

	Group	
	30 June 2023 R'000	30 June 2022 R'000
Proceeds from external loans and derivatives	55,000	254,267
Repayments of external loans and derivatives	(190,160)	(288,619)
Debt structuring fees paid	-	(2,728)
Payment of prior year interest accrual**	-	(3,741)
	(135,160)	(40,821)

**Included in finance costs paid on the cash flow

^Non cash flow repayments relate to proceeds on disposals of investment property settled directly by the attorneys.

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30. Dividends paid

	Group	
	30 June 2023	30 June 2022
	R `000	R `000
Dividends	(23,260)	(161,969)

Texton is a listed REIT and as per section 13.47(a) of the JSE Listings Requirements, a REIT issuer is required to "distribute at least 75% of its total distributable profits as a distribution to the holders of its listed securities (which includes shares and linked units) by no later than four months after its financial year-end, subject to the solvency and liquidity test as defined in the Companies Act and applied in section 46 of the Act"

The Board of directors of Texton ("the Board") is pleased to announce that Texton has declared a final dividend of 19.26 cents (2022:7.00 cents) per share for the year ended 30 June 2023. The total dividend for the year is 19.26 cents (June 2022:17.00 cents).

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Notes to the Financial Statements

31. Commitments

Group	
30 June 2023	30 June 2022
R `000	R `000

Operating leases - as lessor (income)		
Minimum lease payments receivable		
- Within one year	206,070	196,979
- Second year	168,382	198,040
- Third year	102,850	156,991
- Fourth year	48,279	108,495
- Fifth year	39,997	45,072
- Later than 5 years	102,691	118,638
Contractual cash inflows	668,269	824,215
- straight line rental adjustment	45,428	37,791
Future book revenue	713,697	862,006

Operating lease income represents rentals received by the Group for its properties. Leases are negotiated for an average term of 2.67 years (2022: 3.01 years) in SA and 7.45 years (2022: 7.45 years) in the UK. Rentals on the properties escalate at an average rate of 6.27% per annum (2022: 6.75%).

Capital Commitments

Capital improvements in respect of Investment Properties

Approved and committed	-	50,245
Approved and uncommitted	44,744	64,752
	44,744	114,997

Capital Commitments

Capital improvements in respect of unlisted investments

Approved and committed	167,661	105,535
Approved and uncommitted	-	-
	167,661	105,535

Operating Expense

Contractual commitments in respect of general maintenance to investment property

- Within one year	4,069	12,677
- Two to five years	3,165	4,248
	7,234	16,925

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32. Related parties

Related party relationships exist between the Company, its subsidiaries, directors and key management of the Group.

Subsidiary	Location	% owned
Discus House Proprietary Limited	South Africa	100%
Imperial Com Props Proprietary Limited	South Africa	100%
Investage 183 Proprietary Limited	South Africa	100%
Nungu Trading 88 Proprietary Limited	South Africa	100%
TexStores (Pty) Ltd	South Africa	100%
Texton Property Investments UK Limited	United Kingdom	100%
US TP Investments 1 LLC	United States of America	100%
Controlled entities		
Vunani Property Investment Trust	South Africa	100%
Joint ventures		
Inception (Reading) S.a.r.l. - Broad Street Mall	United Kingdom	50%

Entity name	Nature of relationship and related party transactions
Oak Tech Trading (Pty) Ltd	Oak Tech Trading (Pty) Ltd has 84 619 266 ordinary shares pledged as security for 30 months relating to borrowings in the amount of R95.7m as at 30 June 2023. The shareholders of Oak Tech Trading (Pty) Ltd are Kloof Capital South Africa (Pty) Ltd and Geomer Investments (Pty) Ltd. Robert Franco and Marcel Golding, who are non-executive directors of Texton, are the ultimate shareholders of Kloof Capital South Africa (Pty) Ltd and Geomer Investments (Pty) Ltd, respectively. Texton Group paid consulting fees to Oak Tech of R30,000 in the prior year.
Kloof Capital (Pty) Ltd	See above. During the current year, Texton Group paid consulting and rental fees of R2,323,161.48 (2022:R2,163,649.31) to the related party.

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Related parties continued...

32.1 Compensation paid to directors and prescribed officers

	Fees paid R `000	Salaries, bonuses and performance- related payments R `000	Total before IFRS 2 R'000	Share based compensation R'000	Total remuneration R `000
30 June 2023					
Executive Directors					
HSP Welleman	-	4,100	4,100	28	4,128
PM Hack*	-	2,507	2,507	(348)	2,159
Non-executive Directors					
MJA Golding (Chairman)	442	-	442	-	442
RA Franco	-	-	-	-	-
Independent Non-executive Directors					
AJ Hannington	338	-	338	-	338
JR Macey	416	-	416	-	416
W van der Vent	286	-	286	-	286
S Thomas	312	-	312	-	312
Total compensation paid to directors and prescribed officers	1,794	6,607	8,401	(320)	8,081

*PM Hack resigned as CFO on 15 December 2022.

	Fees paid R `000	Salaries, bonuses and performance- related payments R `000	Total before IFRS 2 R'000	Share based compensation R'000	Total remuneration R `000
30 June 2022					
Executive Directors					
HSP Welleman	-	2,850	2,850	58	2,908
PM Hack	-	3,287	3,287	203	3,490
Non-executive Directors					

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Related parties continued...

MJA Golding (Chairman)	442	-	442	-	442
R Franco	217	-	217	-	217
Independent Non-executive Directors					
AJ Hannington	338	-	338	-	338
JR Macey	416	-	416	-	416
W van der Vent	286	-	286	-	286
S Thomas	312	-	312	-	312
Total compensation paid to directors and prescribed officers	2,011	6,137	8,148	261	8,409

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Related parties continued...

32.2 Directors' holdings

30 June 2023	Direct	Indirect	Total	% holding
MJA Golding*	-	51,876,785	51,876,785	14.26%
RA Franco*	-	119,605,113	119,605,113	32.89%
JR Macey	-	31,925	31,925	0.01%
	-	171,513,823	171,513,823	47.16%

30 June 2022	Direct	Indirect	Total	% holding
MJA Golding*	-	51,876,785	51,876,785	14.19%
RA Franco*	-	119,605,113	119,605,113	32.7%
JR Macey	-	31,925	31,925	0.01%
	-	171,513,823	171,513,823	46.91%

**MJA Golding owns 55% and RA Franco owns 45% of Oak Tech*

There has been no change in the shares held by directors between the end of the financial year and the annual financial statements were signed.

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33. Earnings and headline earnings per share

Basic earnings per share

The calculation of basic earnings per share was based on the earnings attributable to shareholders of R33.1 million (2022: R38.1 million) and weighted average number of shares outstanding of 332 407 649 (2022: 339 620 620).

Headline earnings per share

The calculation of headline earnings per share was based on the earnings attributable to shareholders of R54,9 million (2022: R103.6 million) and a weighted average number of shares outstanding of 332 407 649 (2022: 339 952 620).

	Group	
	30 June 2023	30 June 2022
	'000	'000
	Number of shares	Number of shares
Shares in issue entitled to dividends*	291,423	365,638
Weighted average number of shares in issue	332,408	339,953
Add: Weighted potential dilutive impact of conditional shares**	-	278
Diluted weighted average number of shares in issue	332,408	340,231

*Refer to note 39 for share repurchase from the Public Investment Corporation subsequent to year-end.

**In the current year, the effect of the conditional shares is on the weighted average shares has a minimal effect. In the prior year, the conditional shares granted in terms of the Share Incentive Scheme have a weighted average dilutive effect of 277 894 on the weighted average shares in issue.

	Group			
	30 June 2023		30 June 2022	
	Gross R'000	Net R'000	Gross R'000	Net R'000

Earnings

Profit attributable to shareholders	-	(14,152)	-	38,055
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Headline earnings

Profit attributable to shareholders	-	(14,152)	-	38,055
Fair value adjustment investment property	65,125	50,763	40,255	40,255
Fair value adjustment investment property held for sale	14,186	14,186	16,385	16,385
Joint Venture Impairment	-	-	7,929	7,929
Reversal of impairment	-	(2,559)	-	-
Loss on sale of property held for sale	6,736	6,736	1,024	1,024
Headline earnings attributable to shareholders		54,974		103,648

The difference between gross and net relates to deferred tax on the UK valuations.

Basic earnings per share (cents)	(4.26)	11.19
Diluted earnings per share (cents)	(4.26)	11.19
Headline earnings per share (cents)	16.54	30.49
Diluted headline earnings per share (cents)	16.54	30.46

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34. Operating segments

The Group has three reportable segments: SA direct property, UK direct property and international investments. Direct property investments are split into office, retail and industrial. This information is provided to the CEO, the Group's operating decision-making forum on a monthly basis. There are no single major customers except the SA national government.

The following summary describes the operations in each of the Group's reportable segments:

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Operating segments continued...

2023

30 June 2023

	Office R'000	Retail R'000	Industrial R'000	Corporate R'000	Total R'000
SA direct property					
Investment property income	210,730	32,554	22,590	-	265,874
Straight-line rental adjustment	1,082	215	84	-	1,381
Segment revenue	211,812	32,769	22,674	-	267,255
ECL on trade receivables	3,856	(1,478)	(165)	(7)	2,206
Property expenses	(93,434)	(14,841)	(5,331)		(113,606)
Net property income	122,234	16,450	17,178	(7)	155,855
Other income	1,092	768	-	3,030	4,890
Administrative expenses	(220)	(109)	(11)	(36,289)	(36,629)
Impairment on vendor financing	-	-	-	(639)	(639)
Operating profit	123,106	17,109	17,167	(33,905)	123,477
Finance income	1,514	2,593	508	3,319	7,934
Finance costs	(37)	(189)	-	(79,705)	(79,931)
Fair value adjustments	(49)	(2,404)	(6,908)	4,147	(5,214)
Total segment result	124,534	17,109	10,767	(106,144)	46,266
Investment property	1,441,891	129,849	-	-	1,571,740
Equipment	6,301	57	-	174	6,532
Tenant installation	10,675	-	-	-	10,675
Other receivables	3,970	26,052	-	-	30,022
Letting Commission	4,163	151	-	-	4,314
Trade and other receivables	20,238	3,168	3,927	1,955	29,288
Cash and cash equivalents	13,931	3,733	1,105	3,856	22,625
Non-current assets classified as held for sale	46,162	-	50,000	-	96,162
Income tax receivable	-	-	-	5,080	5,080
Total segment assets	1,547,331	163,010	55,032	11,065	1,776,438
Other financial liabilities	-	-	-	(680,833)	(680,833)
Deferred tax	-	-	-	(3,102)	(3,102)
Trade and other payables	(27,374)	(5,254)	(1,602)	(4,651)	(38,881)

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Operating segments continued...

Income tax payable	-	-	-	-	-
Total segment liabilities	(27,374)	(5,254)	(1,602)	(688,586)	(722,816)

30 June 2023	Office	Retail	Industrial	Corporate	Total
	R'000	R'000	R'000	R'000	R'000
UK direct property					
Investment property income	-	4,805	27,176	-	31,981
Straight-line rental adjustment	-	-	(546)	-	(546)
Segment revenue	-	4,805	26,630	-	31,435
ECL on trade receivables	-	(2)	18	-	16
Property expenses	-	(185)	(2,216)	-	(2,401)
Net property income	-	4,618	24,432	-	29,050
Other income	-	-	1	198	199
Administrative expenses	-	(143)	(257)	(4,377)	(4,777)
Operating profit	-	4,475	24,176	(4,179)	24,472
Finance income	-	-	-	9,042	9,042
Finance costs	-	-	(116)	(16,058)	(16,174)
Fair value adjustments	-	(4,736)	(57,606)	(4,461)	(66,803)
Total segment result	-	(261)	(33,546)	(15,656)	(49,463)
Investment property	-	59,834	445,643	-	505,477
Deferred tax	-	-	-	1,891	1,891
Trade and other receivables	-	600	1,400	29	2,029
Cash and cash equivalents	-	9,336	56,929	23,061	89,326
Total segment assets	-	69,770	503,972	24,981	598,723
Other financial liabilities	-	-	-	(300,659)	(300,659)
Deferred tax	-	(764)	(5,471)	-	(6,235)
Trade and other payables	-	(3,500)	(10,034)	-	(13,534)
Income tax payable	-	-	(13)	(1,629)	(1,642)
Total segment liabilities	-	(4,264)	(15,518)	(302,288)	(322,070)

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Operating segments continued...

	Investments R'000	Total R'000
International investments		
Other income	18,075	18,075
Foreign exchange loss	(7,960)	(7,960)
Operating profit	10,115	10,115
Fair value	(45,688)	(45,688)
Total segment result	(35,573)	(35,573)
Unlisted investments	598,590	598,590
Cash and cash equivalents	168,165	168,165
Total segment assets	766,755	766,755

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Operating segments continued...

30 June 2023	Office R'000	Retail R'000	Industrial R'000	Investments R'000	Corporate R'000	Total R'000
Total						
Investment property income	210,730	37,359	49,766	-	-	297,855
Straight-line rental adjustment	1,082	215	(462)	-	-	835
Segment revenue	211,812	37,574	49,304	-	-	298,690
ECL on trade receivables	3,856	(1,480)	(147)	-	(7)	2,222
Property expenses	(93,434)	(15,026)	(7,547)	-	-	(116,007)
Net property income	122,234	21,068	41,610	-	(7)	184,905
Other income	1,092	768	1	18,075	3,228	23,164
Administrative expenses	(220)	(252)	(268)	-	(40,666)	(41,406)
Impairment on vendor financing	-	-	-	-	(639)	(639)
Foreign exchange gains/(losses)	-	-	-	(7,960)	-	(7,960)
Operating profit	123,106	21,584	41,343	10,115	(38,084)	158,064
Finance income	1,514	2,593	508	-	12,361	16,976
Finance costs	(37)	(189)	(116)	-	(95,763)	(96,105)
Fair value adjustments	(49)	(7,140)	(64,514)	(45,688)	(314)	(117,705)
Total segment result	124,534	16,848	(22,779)	(35,573)	(121,800)	(38,770)
Investment property	1,441,891	189,683	445,643	-	-	2,077,217
Property, plant and equipment	6,301	57	-	-	174	6,532
Tenant installation	10,675	-	-	-	-	10,675
Other receivables	3,970	26,052	-	-	-	30,022
Letting commission	4,163	151	-	-	-	4,314
Unlisted investments	-	-	-	598,590	-	598,590
Deferred tax	-	-	-	-	1,891	1,891
Trade and other receivables	20,238	3,768	5,327	-	1,984	31,317
Cash and cash equivalents	13,931	13,069	58,034	168,165	26,917	280,116
Non-current assets classified as held for sale	46,162	-	50,000	-	-	96,162
Income tax receivable	-	-	-	-	5,080	5,080
Total segment assets	1,547,331	232,780	559,004	766,755	36,046	3,141,916
Other financial liabilities	-	-	-	-	(981,492)	(981,492)

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Operating segments continued...

Lease liability	-	-	-	-	-	-
Deferred tax	-	(764)	(5,471)	-	(3,102)	(9,337)
Trade and other payables	(27,374)	(8,754)	(11,636)	-	(4,651)	(52,415)
Income tax payable	-	-	(13)	-	(1,629)	(1,642)
Total segment liabilities	(27,374)	(9,518)	(17,120)	-	(990,874)	(1,044,886)

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Operating segments continued...

2022

30 June 2022

	Office R'000	Retail R'000	Industrial R'000	Corporate R'000	Total R'000
SA direct property					
Investment property income	199,638	67,089	34,320	-	301,047
Straight-line rental adjustment	(1,901)	(1,444)	571	-	(2,774)
Segment revenue	197,737	65,645	34,891	-	298,273
ECL on trade receivables	3,400	(863)	2,452	(5,619)	(630)
Property expenses	(96,174)	(28,616)	(19,022)	(588)	(144,400)
Net property income	104,963	36,166	18,321	(6,207)	153,243
Other income	1,456	2,199	268	(1,124)	2,799
Administrative expenses	(214)	(76)	(47)	(24,184)	(24,521)
Expenses incurred for corporate transactions	-	-	-	(2,709)	(2,709)
Operating profit	106,205	38,289	18,542	(34,224)	128,812
Finance income	987	153	269	9,071	10,480
Finance costs	(498)	(392)	(3)	(82,421)	(83,314)
Fair value adjustments	(97,816)	20,703	119	3,608	(73,386)
Total segment result	8,878	58,753	18,927	(103,966)	(17,408)
Investment property	1,466,800	129,000	52,881	-	1,648,681
Property, plant and equipment	7,393	929	187	345	8,854
Tenant installation	12,105	515	1,323	-	13,943
Investment in joint venture	-	-	-	-	-
Other receivables	4,000	-	2,000	-	6,000
Other non-current assets	5,345	1,289	796	-	7,430
Trade and other receivables	20,847	6,700	2,486	1,851	31,884
Cash and cash equivalents	18,140	5,268	6,780	(5,067)	25,121
Non-current assets classified as held for sale	73,900	257,500	133,500	-	464,900
Income tax receivable	-	-	-	3,242	3,242
Total segment assets	1,608,530	401,201	199,953	371	2,210,055
Other financial liabilities	-	-	-	(1,102,573)	(1,102,573)
Lease liability	-	(2,961)	-	-	(2,961)

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Operating segments continued...

Deferred tax	-	(1,489)	(2,140)	(3,102)	(6,731)
Trade and other payables	(28,903)	(7,575)	(7,327)	(4,601)	(48,406)
Income tax payable	-	-	-	(8,721)	(8,721)
Total segment liabilities	(28,903)	(12,025)	(9,467)	(1,118,997)	(1,169,392)

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Operating segments continued...

30 June 2022	Office R'000	Retail R'000	Industrial R'000	Corporate R'000	Total R'000
UK direct property					
Investment property income	3,087	5,692	26,532	-	35,311
Straight-line rental adjustment	-	-	(378)	-	(378)
Segment revenue	3,087	5,692	26,154	-	34,933
ECL on trade receivables	-	(1)	(14)	-	(15)
Property expenses	9	176	516	(357)	344
Net property income	3,096	5,867	26,656	(357)	35,262
Other income	-	-	3	1,470	1,473
Administrative expenses	(235)	(857)	(4,460)	(7,207)	(12,759)
Loss from joint venture	-	(32,879)	-	-	(32,879)
Restructure of loans and borrowings	(98)	(44)	(24)	-	(166)
Operating profit	2,763	(27,913)	22,175	(6,094)	(9,069)
Finance income	-	28	47	33	108
Finance costs	(2,217)	(1,728)	(6,496)	-	(10,441)
Fair value adjustments	1,466	1,739	21,790	-	24,995
Total segment result	2,012	(27,874)	37,516	(6,061)	5,593
Investment property	-	53,606	418,428	-	472,034
Investment in joint venture	-	137,426	-	-	137,426
Other receivables	-	-	-	4,742	4,742
Trade and other receivables	-	178	3,492	3	3,673
Cash and cash equivalents	2,584	4,653	41,414	48,506	97,157
Income tax receivable	-	-	-	-	-
Total segment assets	2,584	195,863	463,334	53,251	715,032
Other financial liabilities	-	-	(242,429)	-	(242,429)
Deferred tax	-	(633)	(12,356)	(5,113)	(18,102)
Trade and other payables	-	(2,247)	(5,540)	(3,735)	(11,522)
Income tax payable	-	27	(2,822)	(1,538)	(4,333)
Total segment liabilities	-	(2,853)	(263,147)	(10,386)	(276,386)

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Operating segments continued...

	Investments R'000	Total R'000
International investments		
Other income	5,975	5,975
Administrative expenses	(125)	(125)
Foreign exchange loss	880	880
Operating profit	6,730	6,730
Fair value	52,823	52,823
Total segment result	59,553	59,553
Unlisted investments	485,062	485,062
Total segment assets	485,062	485,062

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Operating segments continued...

30 June 2022	Office R'000	Retail R'000	Industrial R'000	Investments R'000	Corporate R'000	Total R'000
Total						
Investment property income	202,725	72,781	60,852	-	-	336,358
Straight-line rental adjustment	(1,901)	(1,444)	193	-	-	(3,152)
Segment revenue	200,824	71,337	61,045	-	-	333,206
ECL on trade receivables	3,400	(864)	2,438	-	(5,619)	(645)
Property expenses	(96,165)	(28,440)	(18,506)	-	(945)	(144,056)
Net property income	108,059	42,033	44,977	-	(6,564)	188,505
Other income	1,456	2,199	271	5,975	346	10,247
Administrative expenses	(449)	(933)	(4,507)	(125)	(31,391)	(37,405)
Restructure of loans and borrowings	(98)	(44)	(24)	-	(2,709)	(2,875)
Profit/(loss) from joint venture	-	(32,879)	-	-	-	(32,879)
Foreign exchange gains/(losses)	-	-	-	880	-	880
Operating profit	108,968	10,376	40,717	6,730	(40,318)	126,473
Finance income	987	181	316	-	9,104	10,588
Finance costs	(2,715)	(2,120)	(6,499)	-	(82,421)	(93,755)
Fair value adjustments	(96,350)	22,442	21,909	52,823	3,608	4,432
Total segment result	10,890	30,879	56,443	59,553	(110,027)	47,738
Investment property	1,466,800	182,606	471,309	-	-	2,120,715
Property, plant and equipment	7,393	929	187	-	345	8,854
Tenant installation	12,105	515	1,323	-	-	13,943
Investment in joint venture	-	137,426	-	-	-	137,426
Other receivables	4,000	-	2,000	-	4,742	10,742
Other non-current assets	5,345	1,289	796	-	-	7,430
Unlisted Investments	-	-	-	485,062	-	485,062
Restricted cash	-	-	-	-	-	-
Trade and other receivables	20,847	6,878	5,978	-	1,854	35,557
Cash and cash equivalents	20,724	9,921	48,194	-	43,439	122,278
Non-current assets classified as held for sale	73,900	257,500	133,500	-	-	464,900
Income tax receivable	-	-	-	-	3,242	3,242

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Operating segments continued...

Total segment assets	1,611,114	597,064	663,287	485,062	53,622	3,410,149
Other financial liabilities	-	-	(242,429)		(1,102,573)	(1,345,002)
Lease liability	-	(2,961)	-		-	(2,961)
Deferred tax	-	(2,122)	(14,496)		(8,215)	(24,833)
Trade and other payables	(28,903)	(9,822)	(12,867)		(8,336)	(59,928)
Income tax payable	-	27	(2,822)		(10,259)	(13,054)
Total segment liabilities	(28,903)	(14,878)	(272,614)	-	(1,129,383)	(1,445,778)

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35. Investment in joint venture: Inception (Reading) S.a.r.l - Broad Street Mall*

	Carrying amount	
	30 June 2023 R `000	30 June 2022 R `000
Cost	-	119
Share of post-acquisition losses	-	(98,019)
Loan to joint venture reclassified as equity	-	276,962
Fair value loss of interest in joint venture	-	(41,636)
	-	137,426

	Group	
	30 June 2023 R `000	30 June 2022 R `000
Opening balance	137,426	167,388
Current period loss from joint venture	-	(24,949)
Funds received from/(paid to) joint venture	(139,985)	1,963
Reversal of impairment	2,559	-
Impairments of joint venture	-	(6,976)
Closing balance	-	137,426

Additional distribution of R2.6 million was received during the year from the joint venture in excess of the carrying amount. Refer note 23.

The Group has a 50% (2022: 50%) interest in Broad Street Mall and Texton exercised joint control. This interest was accounted for using the equity method. The company's principal place of business is in the UK and it is a company incorporated in Luxembourg.

On 2 March 2015, the Company entered into agreements, including a joint venture agreement with Moorgarth Holdings (Luxembourg) S.à.r.l., a subsidiary of JSE-listed Tradehold Limited, whereby Texton acquired 50% of a SPV, Inception (Reading) S.à.r.l. Inception was then used as the vehicle to acquire a well-located retail shopping centre (Broad Street Mall) in Reading, England, with Texton's 50% contribution for the total purchase price. The acquisition of Broad Street Mall was successfully concluded on 3 July 2015. On 24 June 2022, Broad Street Mall was sold to a third-party investor for GBP57.5m. The proceeds from the sale of the property were utilised to settle the outstanding investment. A capital repayment in the amount of R137,4 million (£6,9 million) was received on 1 July 2022 from Inception (Reading) S.à.r.l. Inception (Reading) S.à.r.l. will be liquidated in the near future once all remaining liabilities and contingent assets have been settled and received.

Summarised statement of financial position

	Group	
	30 June 2023 R `000	30 June 2022 R `000
Non-current assets	-	-
Current assets	-	42,122
Trade and other receivables	-	7,480
Prepayments	-	1,854
Cash and cash equivalents	-	32,788
Non-current liabilities	-	-
Other financial liabilities	-	-
Deferred tax	-	-
Current liabilities	-	(28,366)
Net assets excluding shareholder loans (100%)	-	13,756

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Investment in joint venture: Inception (Reading) S.a.r.l - Broad Street Mall continued...*

Proportionate share of net assets excluding shareholder loans (50%)	-	6,878
Carrying amount of investment	-	137,426

This information was extracted from Inception's summarised unaudited management statements for the 12 months ended 30 June 2022.

Summarised statement of comprehensive income

	Group	
	30 June 2023 R `000	30 June 2022 R `000
Revenue	-	84,423
Depreciation	-	(671)
Finance costs before amortisation	-	-
Loss before net finance costs	-	(17,094)
Finance costs*	-	(30,198)
(Loss) before income tax expense	-	(47,292)
Income tax expense	-	(2,606)
Loss for the period	-	(49,898)
Other comprehensive income	-	-
Total comprehensive income before the sale of the property	-	(49,898)
Equity accounted Profit/(Loss) (50%)	-	(24,949)
Impairments on joint venture	-	(7,930)
Loss on joint venture included in the income statement	-	(32,879)

* Excludes interest on shareholder loans.

36. UK Group Restructure

In the 2022 financial year, Texton completed the restructure of the Group that commenced in 2021. TPI UK which was incorporated in the 2021 financial year formed a wholly-owned subsidiary named TPI UK NO1 which has been established in the 2022 financial year to simplify its structure and to directly hold TPI UK's properties situated in the UK.

The net effect of the restructure was that Texton does not hold any direct investments or loans in any of the British Virgin Island entities. Texton is the 100% shareholder of TPI UK. TPI UK is the 100% shareholder of TPI No1 and TPI No2.

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37. Risk management

The Group's financial instruments consist mainly of deposits with banks, interest-bearing liabilities, derivative instruments, amounts due from subsidiaries, Group entities and third parties, trade and other receivables and trade and other payables and unlisted investments.

The Group has exposure to the following risks from its use of financial instruments:

- Liquidity risk;
- Credit risk; and
- Market risk.

While risk management is the ultimate responsibility of the Board of Directors, the Board has delegated this responsibility to the audit and Risk Committee which is responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to ensure:

- improved risk management and control;
- the efficient allocating of funds to maximise returns;
- the maintenance of acceptable levels of risk within the Group as a whole; and
- efficient liquidity management and control of funding.

The Audit and Risk Committee reviews Management's compliance with the Group's risk policies and procedures and assesses the adequacy of the risk management framework. The Committee reports regularly to the Board of Directors.

37.1 Classification of financial instruments

The table below sets out the Group's accounting classification of each class of financial asset and liability.

	Note	Group			
		At amortised cost		Fair value through profit or loss	
		30 June 2023	30 June 2022	30 June 2023	30 June 2022
Financial assets					
External loans and derivative financial instruments	17			-	1,532
Other receivables	9	30,022	10,742	-	-
Loan to joint venture	36	-	-	-	137,426
Unlisted investments	15			598,590	485,062
Trade and other receivables	10	20,690	28,341	-	-
Cash and cash equivalents	11	280,116	122,278	-	-
		330,828	161,361	598,590	624,020
Financial liabilities					
External loans and derivative financial instruments	17	981,492	1,345,000	-	-
Trade and other payables	20	31,927	42,431	-	-
		1,013,419	1,387,431	-	-

Financial instruments that are carried at amortised cost, due to the fact that interest is market-related; the amortised cost approximates the fair value.

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Risk management continued...

37.2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group ensures that it always has adequate funds available and seeks to borrow for as long as possible at the lowest cost. Liquidity requirements are managed by monitoring forecast cash flows and the maturity profile of financial liabilities.

A maturity analysis of financial liabilities is set out in the table below.

	Group			
	Carrying amount	Contractual cash flows	Less than 1 year	2 - 5 years
	R `000	R `000	R `000	R `000
30 June 2023				
Non-interest-bearing	31,927	31,927	31,927	-
Variable interest rate instruments	981,492	1,207,254	210,865	996,389
Non-derivative financial liabilities	1,013,419	1,239,181	242,792	996,389
30 June 2022				
Non-interest-bearing	42,431	42,431	42,431	-
Variable interest rate instruments	1,345,000	1,476,370	313,390	1,162,980
Non-derivative financial liabilities	1,387,431	1,518,801	355,821	1,162,980

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Risk management continued...

37.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising returns. The Group enters into derivatives and incurs financial liabilities in order to manage market risks. All such transactions are carried out within the guidelines set by the Audit and Risk Committee.

Interest rate risk

The Group is exposed to interest rate risk as it borrows funds at variable interest rates.

	Group	
	30 June 2023	30 June 2022
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	-	1,532
	-	1,532
Variable rate instruments		
Financial assets	300,806	160,628
Financial liabilities	(981,492)	(1,345,000)
	(680,686)	(1,184,372)

Cash flow sensitivity analysis for variable rate instruments

A change of 50 basis points in the interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amount shown below. This analysis assumes that all other variables remain constant.

	Group	
	30 June 2023	30 June 2022
	R `000	R `000
Effect on equity and profit or loss		
50 bps increase	(3,403)	(5,922)
50 bps decrease	3,403	5,922

The Group adopts a policy to manage its exposure to changes in interest rates on borrowings on a fixed basis. This is achieved by entering into fixed rate swap instruments. All such transactions are carried out within the guidelines of the Audit and Risk Committee. As a consequence, the Group is exposed to fair value interest rate risk in respect of the fair value of its interest rate financial instruments, which will not have an impact on distributions. Short-term receivables and payables and investments are not directly exposed to interest rate risk.

Currency risk

Currency risk related to investments in foreign operations for SA Operations

The Group has interests in entities which operate in the UK. A portion of the Group's revenue is earned in the UK. The Group is exposed to fluctuations in the GBP exchange rate. The Group also has exposure to the USD-denominated investments and the Group has exposure to fluctuations in the USD exchange rate. The Group matches its financing currency with its earnings i.e. GBP-denominated debts is used to finance UK operations to ensure that there is no mismatch in financing costs.

Currency risk related to foreign transactions

The Group operates predominantly within its own common monetary area and therefore the Group has no significant currency risk with regard to its South African operational activities. During 2023 and 2022 it was not the Group's policy to hedge transactions which are denominated in a currency other than the entity's functional currency, which only occurs with loans for acquisitions in foreign countries.

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Risk management continued...

The following significant exchange rates applied during the year:

	2023		2022	
	Closing rate R	Average rate R	Closing rate R	Average rate R
GBP	23.93	21.42	19.85	20.34
USD	18.84	17.78	16.31	15.22

Sensitivity analysis

A 10% strengthening of the Rand against the USD as at 30 June would have increased/decreased profits and equity by the amount shown below. This calculation assumes that all other variables, in particular interest rates, remain constant.

	Group	
	30 June 2023 R'000	30 June 2022 R'000
Unlisted investments (USD)	(57,117)	(45,697)
Unlisted investments (GBP)	(2,656)	(687)

A 10% weakening of the Rand against the USD as at 30 June would have the equal but opposite effect on the currency to the amount shown above on the basis that all variables remain the same.

37.4 Credit risk

Credit risk is the risk of financial loss to the Group if a tenant or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from tenants, loans to subsidiaries and joint ventures

The carrying amount of the financial assets below represents the maximum credit exposure. The maximum exposure to credit risk was:

	Group	
	30 June 2023 R `000	30 June 2022 R `000
Trade and other receivables - Gross Carrying amount	30,392	38,350
Trade and other receivables allowance	(9,702)	(10,009)
Cash and cash equivalents	280,116	122,278
Unlisted Investments	598,590	485,062
	899,396	635,681

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Risk management continued...

37.5 Fair values

The carrying value of the assets and liabilities carried at amortised cost approximate their fair value.

The fair value of trade receivables approximates its carrying amount as it is short-term in nature. The fair values of all financial instruments, interest rate swaps and variable rate liabilities are substantially the same as the carrying amounts reflected on the statement of financial position.

Fair value hierarchy

The Group measures fair values using the following hierarchy that reflects the significance of the inputs used in making the measurements:

● 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.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using valuation techniques. Valuation techniques include net present value and discounted cash flow models and comparison to similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premiums used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument as at the reporting date which would have been determined by market participants acting at arm's length.

The Group uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate swaps that use only observable market data and require little judgement and estimation.

Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives and simple over-the-counter derivatives like interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with the determination of fair values.

Investments at fair value in level 3 represent investment properties, investment properties held for sale, the loan to the joint venture (2022) and unlisted investments. A detailed reconciliation, as well as a sensitivity analysis of all major assumptions, have been included as part of the investment property (note 5). All fair value adjustments were accounted for in profit or loss. Refer to note 14 for the unlisted investments analysis.

Cash and cash equivalents are not fair valued and the carrying amounts are presumed to equal fair value. Short-term receivables and short-term payables are measured at amortised cost and approximate fair value due to the short-term nature of these instruments. These instruments are not included in the fair value hierarchy.

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Risk management continued...

The table below analyses financial instruments carried at fair value by valuation method.

Valuation method	Group			
	Level 1 R `000	Level 2 R `000	Level 3 R `000	Total R `000
30 June 2023				
Unlisted Investments	-	465,059	133,530	598,589
Investment properties	-	-	2,077,217	2,077,217
Investment property held for sale	-	-	96,162	96,162
30 June 2022				
Interest rate swap	-	1,532	-	1,532
Unlisted Investments	-	421,591	63,471	-
Loan to Joint venture	-	-	137,426	137,426
Investment properties	-	-	2,120,714	2,120,714
Investment property held for sale	-	-	464,900	464,900

Type	Valuation technique	Significant unobservable inputs	Interrelationship between key unobservable inputs and fair value measurements
------	---------------------	---------------------------------	---

Level 2 fair values

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

Derivative financial instruments - interest rate swaps	Fair valued monthly by Investec 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
Other financial assets - interest in Blackstone Real Estate Income Trust icapital Offshore Access Fund SPC	The fair value of the investment is determined with reference to the published price which is based on the underlying NAV of the underlying REIT being The Blackstone Real Estate Income Trust iCapital Offshore Access Fund SPC, a private unlisted REIT.	Not applicable	Not applicable
Other financial assets - interest in Starwood Real Estate Income Trust Offshore Fund SPC (SREIT offshore)	The fair value of the investment is determined with reference to the published price which is based on the underlying NAV of the underlying REIT being Starwood Real Estate Income Trust Offshore Fund SPC, a private unlisted REIT.	Not applicable	Not applicable
		Not applicable	Not applicable

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Risk management continued...

Level 3 fair values

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

Investment properties	Refer to note 5	Refer to note 5	Refer to note 5
	The value is driven predominately by the NAV of the investment, which is determined by the cash to be received from the investment. The investment property was sold in the prior year and the loan was repaid in the current year.		
Loan to joint venture		Refer to note 35	Refer to note 35
	Texton will rely on the sponsor valuations to determine fair value at each valuation date. These valuations in turn are based on the underlying NAV of the investments.		
Unlisted investments: PadSplit, Greenpoint, Cadre and Apollo		n/a	n/a

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38. Share-based payment reserve

	Group	
	30 June 2023 R `000	30 June 2022 R `000
Opening balance	407	145
(Credit)/Expense recognised in profit or loss	(320)	262
Closing balance	87	407

In terms of the Conditional Share Plan ("CSP"), approved and adopted by shareholders on 30 November 2020, the company has granted conditional shares to the executive directors and staff. The full details of the scheme are included in the remuneration report.

Details of the conditional shares awarded are set out below :

	Tranche 1	Tranche 2	Total
Grant date	11-Jun-21	30-Jun-22	
Vesting date	30-Jun-23	30-Jun-24	
P Hack			
Opening shares	416,667	63,360	480,027
Shares awarded	-	-	-
Shares forfeited	(416,667)	(63,360)	(480,027)
Total shares awarded	-	-	-
HSP Welleman			
Opening shares	-	63,360	63,360
Shares awarded	-	-	-
Total shares awarded	-	63,360	63,360

The CSP awards have been recognised as equity-settled share-based payments as a separate category within equity. The fair value of the CSP has been measured using the Black-Scholes model.

Details of the plan

The shares awarded under tranche 1 comprise performance shares (65%) which are subject to a two-year service period and the achievement of certain financial and individual performance measures and retention shares (35%) which are subject to a two-year service period only.

The shares awarded under tranche 2 comprise performance shares (65%) which are subject to a two-year service period and the achievement of certain financial and individual performance measures and retention shares (35%) which are subject to a 2 year service period only.

On the vesting date the participant is entitled to settlement of the award and no amount is payable by the participant for the settlement of shares that have vested. The actual quantum of shares received by a participant on vesting will depend on the extent to which the performance conditions, set out in the award letter, are achieved and will be determined over the performance period. No conditional shares vested during the year.

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39. Events after the reporting date

The following events are reported:

Share Repurchase

As announced on the Stock Exchange News Services ("SENS") on the JSE on 25 May 2023, Texton entered into a repurchase ("the Repurchase") agreement with the Public Investment Corporation ("PIC") to repurchase 72 129 048 Texton shares for a total consideration of R155 077 466.75. This transaction ("PIC transaction") was concluded on 17 July 2023 and funded through available cash in Texton's Rolling Credit Facility ("RCF").

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

The circular issued to shareholders documents that directors, in line with the JSE Listings Requirements, have considered the effect of the Repurchase on liquidity and solvency.

Covenant Breach

A forecast interest cover ratio ("ICR") breach was identified with HSBC subsequent to year-end. Following discussions with HSBC regarding the forecast breach it was agreed that the company would exercise Cure Rights under the Loan Agreement. As a result, £337,993 (R8.25 million) has been deposited into the Cure Account subsequent to year-end.

As per the Loan Agreement, once funds have been transferred into the Cure Account, the breach is considered "cured". Texton has received confirmation from HSBC that there is no longer an ICR breach.

Furthermore, given the decrease in the UK asset valuations due to the increase in interest rates, the LTV covenant levels were exceeded. As at the reporting date, the Group was in discussions with HSBC to quantify the amount required to right size the loan to satisfy the required LTV covenants. The Group has sufficient liquidity on hand to manage these obligations.

Declaration of a final dividend

The Board of directors of Texton ("the Board") is pleased to announce that Texton has declared a final dividend of 19.26 cents (2022:7.00 cents) per share for the year ended 30 June 2023. The total dividend for the year is 19.26 cents (June 2022:17.00 cents).

40. Going concern

The Group has reasonably satisfied the liquidity and solvency test as required by the Companies Act and the directors have satisfied themselves that the Group are in a sound financial position and that they have access to sufficient facilities to their foreseeable cash requirements.

Texton entered into a repurchase agreement with the Public Investment Corporation ("PIC") towards the end of the financial year to repurchase 72 129 048 Texton shares. This transaction ("PIC transaction") was funded through available cash in Texton's Rolling Credit Facility ("RCF"). Refer to the events after the reporting period below.

Management are in negotiations with Investec to renew the facilities expiring on 29 September 2023. Based on past experience on renewals with the bank and the fact the debt has been reduced during the year through property disposals, management expect these facilities to be renewed.

The directors consider that the Group has adequate resources to continue operating for the foreseeable future and realise its assets and settle its liabilities in the ordinary course of business. As such, it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

Texton Property Fund Limited

(Registration Number 2005/019302/06)

Financial Statements for the year ended 30 June 2023

Notes to the Financial Statements

41. Standards, amendments and interpretations effective for the first time at 30 June 2023

The standards, amendments and interpretations effective for the first time in the current financial year has been summarised below. The impact of the adoption of these standards have been considered.

Statement	Effect for accounting periods beginning on or after	Summary of key points	Impact on the Group
Amendments to IAS 1: Classification of liabilities as current or non-current	Annual periods beginning on or after 1 January 2024.	The amendments aims at providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date.	This amendment was early adopted by the Group. Refer note 17.
IAS 1 Presentation of Financial Statements(Amendment- Non-current Liabilities with covenants)	Annual periods beginning on or after 1 January 2024.	Subsequent to the release o amendments to IAS 1 Classification of Liabilities as Current or Non-current, the IASB amended IAS 1 further in October 2022. If an entity's right to defer is subject to the entity complying with specified conditions, such conditions affect whether that right exists at the end of the reporting period, if the entity is required to comply with that condition after the reporting period. The amendments also provide clarification on the meaning of "settlement" for the purpose of classifying a liability as current or non-current.	This amendment was early adopted by the Group. Refer note 17.
IAS 16 Property, Plant and Equipment (Proceeds before intended Use	The amendments are effective for annual periods beginning on or after January 1, 2022.	In May 2020, the IASB issued amendments to IAS 16, which prohibit a company from deducting amounts received from selling items produced while the company is preparing the asset for its intended use from the cost of property, plant and equipment. Instead, a company will recognise such sales proceeds and any related costs in profit or loss.	The impact of this amendment was not material to the Group.
IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendment - Onerous Contracts - Cost of fulfilling a contract	The amendments are effective for annual periods beginning on or after January 1, 2022	In May 2020, the IASB issued amendments to IAS 37, which specify the costs a company includes when assessing whether a contract will be loss making and is therefore recognised as an onerous contract. These amendments are expected to result in more contracts being accounted for as onerous contracts because they increase the scope of costs that are included in the onerous contract assessment.	The impact of this amendment was not material to the Group.
Amendments to IFRS 3 (May 2020): Reference to Conceptual Framework	Annual periods beginning on or after 1 June 2022.	The amendments seeks to update and outdated reference in IFRS 3 without significantly changing its requirements	The impact of this amendment was not material to the Group.

Texton Property Fund Limited

(Registration Number 2005/019302/06)

Financial Statements for the year ended 30 June 2023

Notes to the Financial Statements

42. Standards and interpretations not yet effective

In terms of IFRS, the Company is required to include, in its annual financial statements, disclosure about the future impact of standards and interpretations issued but not yet effective as at the issue date.

At the date of authorisation of the annual financial statements of the Company for the year ended 30 June 2023, the following standards and interpretations were in issue but not yet effective which are applicable to the Company:

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	Annual periods beginning on or after 1 January 2023	In February 2021, the IASB issued amendments to IAS 1, which change the disclosure requirements with respect to accounting policies from 'significant accounting policies' to 'material accounting policy information'. The amendments provide guidance on when accounting policy information is likely to be considered material.	The changes will not have a material impact on the financial statements and the company will apply the amendments prospectively.
Definition of Accounting Estimates (Amendment to IAS 8)	Annual periods beginning on or after 1 January 2023	In February 2021, the IASB issued amendments to IAS 8, which added the definition of Accounting Estimates in IAS 8. The amendments also clarified that the effects of a change in input or measurement technique are changes in accounting estimates, unless resulting from the correction of prior period errors.	The changes will not have a material impact on the financial statements and the company will apply the amendments prospectively.
Deferred Tax related to Assets and Liabilities arising from a single Transaction (Amendments to IAS 12)	Annual periods beginning on or after 1 January 2023	In May 2021, the IASB issued amendments to IAS 12, which clarify whether the initial recognition exemption applies to certain transactions that result in both an asset and a liability being recognised simultaneously. The amendments introduce an additional criterion for the initial recognition exemption under IAS12.15, whereby the exemption does not apply to the initial recognition of an asset or liability which at the time of transaction, gives rise to equal taxable and deductible temporary differences.	The changes will not have a material impact on the financial statements and the company will apply the amendments prospectively.

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	30-Jun-23	30-Jun-22
	R'000	R'000
Profit or loss per income statement	-	14 152
Accounting/specific adjustments:-	84 237	47 948
Fair value adjustments to:		
o Investment property	50 763	56 640
o Debt and equity instruments held at fair value through profit or loss	2 259	(9 273)
o Fair value gains on unlisted investments	43 761	(52 823)
Depreciation and amortisation of intangible assets	10 234	9 812
Asset impairments (excluding goodwill) and reversals of impairment	-	33 524
Gains or losses on modification of financial instruments	-	2 875
Deferred tax movement recognised in profit or loss	21 945	4 041
Straight-lining operating lease adjustment	835	3 152
Adjustments arising from investing activities:-	20 922	1 024
Gains or losses on disposal of:		
o Investment property held for sale	20 922	1 024
Foreign exchange and hedging items:-	7 960	(1 123)
Adjustments to amounts recognised in profit or loss relating to derivative financial instruments	7 962	(1 001)
Reclassified foreign currency translation reserve	-	(1 002)
Foreign exchange gains or losses relating to capital items – realised and unrealised	2	880
Tax impact	-	1 632
SA REIT FFO:	97 335	81 587
Number of shares outstanding at end of period (net of treasury shares)	331 699	334 470
SA REIT FFO cents per share:	29,34	24,39
Income available for distribution	99 138	59 416
Number of shares outstanding used for dividends	259 570 287	
Distributable income per share before pay-out ratio: (cents per share)	38,19	70,00
SA REIT Net Asset Value (SA REIT NAV)	30-Jun-23	30-Jun-22
	R'000	R'000
Reported NAV attributable to the parent	2 097 014	1 964 371
Adjustments:		
Dividend to be declared	(50 000)	(23 413)
Fair value of certain derivative financial instruments	-	(1 532)
Deferred tax	7 446	24 833
SA REIT NAV:	2 054 460	1 964 259
Shares outstanding		
Number of shares in issue at period end (net of treasury shares)	331 699	334 470
Dilutive number of shares in issue	331 699	334 470
SA REIT NAV per share (cents):	619,37	587,28

Annexure A

SA REIT Best Practice Disclosures (Non-IFRS Measures)

SA REIT cost-to-income ratio	30-Jun-23 R'000	30-Jun-22 R'000
Expenses		
Operating expenses per IFRS income statement (includes municipal expenses)	116 007	144 056
Administrative expenses per IFRS income statement	41 407	37 405
Exclude:		
Depreciation expense in relation to property, plant and equipment of an administrative nature and amortisation expense in respect of intangible assets	-	-
- Building selling costs	-	-
Operating costs	157 414	181 461
Rental income		
Contractual rental income per IFRS income statement (excluding straight-lining)	297 855	268 548
Utility and operating recoveries per IFRS income statement	835	67 810
Gross rental income	298 690	336 358
SA REIT cost-to-income ratio	52,7%	53,9%
SA REIT administrative cost-to-income ratio	30-Jun-23 R'000	30-Jun-22 R'000
Expenses		
Administrative expenses as per IFRS income statement	41 407	37 405
Exclude:		
- Building selling costs	-	-
Administrative costs	41 407	37 405
Rental income		
Contractual rental income per IFRS income statement (excluding straight-lining)	297 855	268 548
Utility and operating recoveries per IFRS income statement	835	67 810
Gross rental income	298 690	336 358
SA REIT administrative cost-to-income ratio	13,9%	11,1%
SA REIT GLA vacancy rate	30-Jun-23 m²	30-Jun-22 m²
Gross lettable area of vacant space	51 196	65 228
Gross lettable area of total property portfolio	199 707	270 726
SA REIT GLA vacancy rate	25,6%	24,1%

Annexure A

SA REIT Best Practice Disclosures (Non-IFRS Measures)

Cost of debt	30-Jun-23	30-Jun-22
	%	%
South Africa		
<i>Variable interest-rate borrowings</i>		
Floating reference rate plus weighted average margin	10,77%	7,38%
Pre-adjusted weighted average cost of debt:	10,77%	7,38%
Adjustments:		
Impact of interest rate derivatives	0,00%	0,06%
All-in weighted average cost of debt - ZAR:	10,77%	7,44%
United Kingdom		
<i>Variable interest-rate borrowings</i>		
Floating reference rate plus weighted average margin	6,61%	3,29%
Pre-adjusted weighted average cost of debt:	6,61%	3,29%
Adjustments:		
Impact of interest rate derivatives	0,00	-0,58%
All-in weighted average cost of debt - GBP	6,61%	2,71%
SA REIT loan-to-value	30-Jun-23	30-Jun-22
	R'000	R'000
Gross debt	981 492	1 345 002
Less:		
Cash and cash equivalents	(280 116)	(122 278)
Add/Less:		
Derivative financial instruments	-	1 532
Net debt	701 376	1 224 256
Total assets – per Statement of Financial Position	3 141 916	3 410 149
Less:		
Cash and cash equivalents	(280 116)	(122 278)
Trade and other receivables	(40 495)	(30 557)
Carrying amount of property-related assets	2 821 305	3 257 314
SA REIT loan-to-value ("SA REIT LTV")	24,9%	37,6%

ANNEXURE B SCHEDULE OF PROPERTIES

SOUTH AFRICA

Property name	Geographic location	GLA (m ²)	Weighted average rental (m ²) per		Acquisition date	Purchase price	Valuation	Address
			R	R		R'000	R'000	
Alrode	Gauteng	17 204	33,12		10 June 2015	51 138	50 000	Alrode, Johannesburg
Total South African industrial		17 204				51 138	50 000	
Foretrust	Western Cape	24 395	156,87		14 February 2012	249 500	362 000	Roggebaai, Cape Town
Bryanston Gate	Gauteng	16 639	90,81		01 April 2014	174 000	181 900	Bryanston, Johannesburg
Wellington Road	Gauteng	13 611	-		17 March 2014	102 500	100 000	Parktown, Johannesburg
151 Katherine Street	Gauteng	9 132	88,47		11 August 2011	104 000	110 000	CBD, Cape Town
Belvedere Place	Gauteng	12 685	-		02 October 2006	70 400	127 000	Sunninghill, Johannesburg
12 Laub Street	Gauteng	27 450	-		30 October 2014	153 948	10 000	new Centre, Johannesburg
The Grid	Gauteng	4 528	-		18 January 2016	105 400	85 000	Rivonia, Johannesburg
Investment Place	Gauteng	7 187	99,47		02 October 2006	48 000	86 800	Hyde Park, Johannesburg
377 Rivonia Boulevard	Gauteng	4 886	-		06 November 2012	64 500	62 500	Rivonia, Johannesburg
Wale Street Chambers	Western Cape	4 327	66,18		29 September 2006	14 100	36 500	CBD, Cape Town
Scott Street	Gauteng	4 729	100,65		18 September 2014	107 805	54 500	Waverley, Johannesburg
1 Osborne Lane	Gauteng	3 865	-		12 September 2014	48 326	44 300	Bedfordview, Johannesburg
Greenstone Building 11	Gauteng	3 397	87,79		01 August 2013	47 376	36 500	Greenstone Hill, Edenvale
Loop Street	Western Cape	2 323	-		11 August 2011	37 100	36 000	CBD, Cape Town
Greenstone Building 10	Gauteng	2 285	60,90		01 August 2013	33 305	28 900	Greenstone Hill, Edenvale
Greenstone Building 2	Gauteng	2 391	-		30 October 2013	54 348	31 000	Greenstone Hill, Edenvale
Greenstone Building 12	Gauteng	2 326	-		01 August 2013	34 059	32 500	Greenstone Hill, Edenvale
Greenstone Building 9	Gauteng	1 822	94,46		11 August 2011	18 000	21 800	Greenstone Hill, Edenvale
Greenstone Building 13	Gauteng	974	117,85		01 August 2013	14 260	12 300	Greenstone Hill, Edenvale
Greenstone Building 15	Gauteng	1 126	75,15		01 August 2013	16 485	10 500	Greenstone Hill, Edenvale
Greenstone Building 14	Gauteng	1 099	94,08		01 August 2013	16 516	11 000	Greenstone Hill, Edenvale
Greenstone Building 5	Gauteng	789	141,28		01 August 2013	11 551	10 700	Greenstone Hill, Edenvale
Greenstone Building 6	Gauteng	635	-		11 August 2011	14 180	8 000	Greenstone Hill, Edenvale
Greenstone Coffee Shop	Gauteng	107	-		01 August 2013	1 565	1 400	Greenstone Hill, Edenvale
Total South African offices		152 708				1 541 224	1 501 100	
Kempstar Mall	Gauteng	6 017	195,26		31 December 2014	107 454	130 000	Kempton Park, Johannesburg
Total South African retail		6 017				107 454	130 000	
Total South African portfolio		175 929				1 699 816	1 681 100	

UNITED KINGDOM

Property name	Geographic location	GLA (m ²)	Weighted average rental (m ²) per		Acquisition date	Purchase price	Valuation	Address
			R	R		R'000	R'000	
Heddon Booker Warehouse	England	3 960	-		27 February 2015	29 160	59 834	Burton-on-Trent, England
Caterpillar	England	10 117	-		04 February 2016	180 703	188 357	Peterlee, England
Gainsborough	England	7 912	-		17 August 2016	112 116	197 452	Gainsborough, England
Total United Kingdom industrial		21 989				321 979	445 643	
Parc Pensarn	Wales	1 789	240,57		27 May 2015	57 355	59 834	Carmarthen, Wales
Total United Kingdom Retail		1 789				57 355	59 834	
Total United Kingdom portfolio		23 778				57 355	505 477	
Total property portfolio		199 707				1 757 171	2 186 577	

Annexure C

Texton Property Fund Ltd

Analysis of Ordinary Shareholders as at 30 June 2023

Shareholder Spread	Number of Shareholdings	% of total shareholdings	Number of Shares	% of issued Capital
1 - 1,000	865	55,24%	93 315	0,03%
1,001 - 10,000	360	22,99%	1 730 808	0,48%
10,001 - 100,000	282	18,01%	8 503 327	2,34%
100,001 - 1,000,000	44	2,81%	12 892 901	3,54%
Over 1,000,000	15	0,96%	340 480 752	93,62%
Total	1 566	100,00%	363 701 103	100,00%

Distribution of Shareholders	Number of Shareholdings	% of total shareholdings	Number of Shares	% of issued Capital
Assurance Companies	1	0,06%	7 000	0,00%
Close Corporations	9	0,57%	440 771	0,12%
Collective Investment Schemes	1	0,06%	895 627	0,25%
Custodians	6	0,38%	2 937 590	0,81%
Foundations & Charitable Funds	8	0,51%	2 522 258	0,69%
Investment Partnerships	3	0,19%	17 188	0,00%
Organs of State	1	0,06%	72 129 048	19,83%
Private Companies	45	2,87%	225 313 335	61,95%
Public Companies	2	0,13%	4 409 989	1,21%
Retail Shareholders	1 407	89,85%	14 050 310	3,86%
Retirement Benefit Funds	3	0,19%	36 253	0,01%
Stockbrokers & Nominees	5	0,32%	878 617	0,24%
Treasury	2	0,13%	31 951 768	8,79%
Trusts	73	4,66%	8 111 349	2,23%
Total	1 566	100,00%	363 701 103	100,00%

Shareholder Type	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Non-Public Shareholders	14	0,89%	329 989 651	90,73%
Directors and associates of the company	9	0,57%	171 513 823	47,16%
Shareholders > 10% of the shares in issue	3	0,19%	126 524 060	34,79%
Treasury	2	0,13%	31 951 768	8,79%
Public Shareholders	1 552	99,11%	33 711 452	9,27%
Total	1 566	100,00%	363 701 103	100,00%

Beneficial Shareholders With A Holding Greater Than 3% Of The Issued Shares	Number of Shares	% of issued Capital
Oak Tech Trading (Pty) Ltd	84 619 266	23,27%
Government Employees Pension Fund	72 129 048	19,83%
Heriot Investments (Pty) Ltd	54 395 012	14,96%
Kloof Capital South Africa (Pty) Ltd	41 092 769	11,30%
Oak Tech Properties (Pty) Ltd	35 605 597	9,79%
Discus House (Pty) Ltd	31 853 013	8,76%
Total	319 694 705	87,90%

Total number of shareholdings	<u>1 566</u>
Total number of shares in issue	<u><u>363 701 103</u></u>

Annexure C

Texton Property Fund Ltd

Analysis of Ordinary Shareholders as at 30 June 2023

Share Price Performance

Opening Price 01 July 2022	R 3,70
Closing Price 30 June 2023	R 2,50
Closing High for period	R 3,75
Closing Low for period	R 2,00
Number of shares in issue	363 701 103
Volume traded during period	10 364 594
Ratio of volume traded to shares issued (%)	2,85%
Rand value traded during the period	R 27 630 038
Price/earnings ratio as at 30 June 2023	9,57
Earnings yield as at 30 June 2023	10,44
Dividend yield as at 30 June 2023	2,80
Market capitalisation at 30 June 2023	R 909 252 758

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

MJA Golding (*Non-executive chairperson*)
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 director*

^PM Hack resigned 15 December 2022

COMPANY SECRETARY

Corpstat Governance Services Proprietary Limited
Bryanston Gate
Block 4, First Floor Homestead Avenue
Bryanston 2191

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
14 Biermann Avenue
Rosebank 2196
PO Box 61051, Marshalltown 2107

SHAREHOLDERS' DIARY

Financial year-end	30 June
Publication of audited results	22 September 2023
Summarised consolidated financial statements and notice of annual general meeting posted to shareholder	27 October 2023
Annual general meeting	29 November 2023

TEXTON

PROPERTY FUND

(Registration Number 2005/019302/06)
Annual Financial Statements
for the year ended 30 June 2023

Audited Financial Statements

in compliance with the Companies Act of South Africa

Prepared: by N Reddy CA(SA) under the supervision of HSP Welleman CA(SA)

Texton Property Fund Limited

(Registration Number 2005/019302/06)

Annual Financial Statements for the year ended 30 June 2023

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Texton Property Fund Limited

(Registration Number 2005/019302/06)

Annual Financial Statements for the year ended 30 June 2023

Director's Responsibilities and Approval

The directors are responsible for the preparation and fair presentation of the annual financial statements of Texton Property Fund Limited, comprising the statements of financial position at 30 June 2023, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board (IASB), SA financial Reporting requirements, the requirements of the Companies Act of South Africa and the JSE Listings Requirements.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these financial statements.

The directors have made an assessment of the ability of the company to continue as a going concerns and have no reason to believe that the businesses will not be going concerns in the year ahead.

The directors, whose names are stated below, hereby confirm that:

- The annual financial statements set out on pages 14 to 88 fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS
- To the best knowledge and belief no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading
- Internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer
- The internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function
- Where we are not satisfied, we have disclosed to the audit and risk committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken steps to remedy the deficiencies.
- we are not aware of any fraud involving the directors.

Approval of company annual financial statements

The company annual financial statements of Texton Property Fund Limited as identified in the first paragraph, were approved by the board of directors on 22 September 2023 and signed on their behalf by:



HSP Welleman
Chief Executive Officer



M Golding
Chairman

Texton Property Fund Limited

(Registration Number 2005/019302/06)

Annual Financial Statements for the year ended 30 June 2023

Certificate by the Company Secretary

In terms of section 88(2)(e) of the Companies Act, 71 of 2008 of South Africa, we certify that to the best of our knowledge and belief, that Texton Property Fund Limited has lodged all returns required in terms of the Companies Act, 71 of 2008, with the Commissioner of the Companies and Intellectual Property Commission for the financial year ended 30 June 2023 and that the returns are true, correct and up to date.



Corpstat Governance Services (Pty) Ltd

Company Secretary

22 September 2023

Texton Property Fund Limited

(Registration Number 2005/019302/06)

Annual Financial Statements for the year ended 30 June 2023

Report of the Audit and Risk Committee

The Audit and Risk Committee (the "audit committee") takes pleasure in presenting its report for the year ended 30 June 2023.

1. Terms of reference

The audit committee is a formal committee of the Board of the Company and its subsidiaries and has adopted written terms of reference. These terms of reference include the statutory requirements of the Companies Act of South Africa ("the Act"), the recommendations of the King Code on Governance ("King IV") and certain responsibilities delegated by the Board.

The main responsibilities of the audit committee include:

- Reviewing the ongoing effectiveness of the internal financial controls
- Reviewing the interim and preliminary results, the annual financial statements and other content in the integrated annual report, and making a formal recommendation to the Board to adopt the same
- Ensuring compliance with IFRS and the relevant requirements of the Act and the Johannesburg Stock Exchange ("JSE") with respect to financial reporting
- Overseeing the appointment and independence of the external auditors and reviewing their external audit reports
- Determining a policy for the provision of non-audit services by the external auditors
- Monitoring the risk management framework adopted by the Company and its subsidiaries (the "Group") and reviewing any risk management reports in this regard
- Reviewing management's assessment of the Group to continue as a going concern

The audit committee confirms that it has fulfilled all its statutory obligations as well as its terms of reference for the year under review.

The audit committee has monitored and confirms that it is in compliance with the risk management policy which is in accordance with the industry practice and prohibits the Company from entering into speculative derivative transactions not in the ordinary course of business.

2. Members of the audit committee, attendance of meetings and evaluation

The audit committee comprises three independent non-executive directors and is chaired by John Macey CA(SA). Certain executive directors, senior management as well as the external auditors attended audit committee meetings by invitation.

The terms of reference require an annual evaluation of the performance of the audit committee and its members as well as confirmation of the members' independence in terms of King IV and the Act. The evaluation performed covers the year ended 30 June 2023. The outcome of the evaluation performed was satisfactory.

3. External auditors

The audit committee nominated BDO South Africa Inc ("BDO") as external auditors for the current year, having satisfied itself that they are independent of the Group. The audit committee noted Stephan Cillié as the designated auditor and confirmed that both he and BDO are accredited with the JSE in accordance with paragraph 3.84(g)(iii) of the JSE Listing Requirements. The external auditors have unrestricted access to the audit committee.

The audit committee approved the terms of the auditors' engagement letter, their audit plan and budgeted audit fees for the audit of the Group and Company annual financial statements for the year ended 30 June 2023.

The audit committee adopted a formal framework for the pre-approval of allowable non-audit services above certain pre-determined thresholds.

Texton Property Fund Limited

(Registration Number 2005/019302/06)

Annual Financial Statements for the year ended 30 June 2023

Report of the Audit and Risk Committee

4. Significant matters

Valuation of investment property

The major risk relating to investment property is the valuation of investment property. This has been highlighted as an area of critical judgement and is detailed in note 5 of the annual financial statements. Each property is externally valued at least every three years, which results in a third of the properties being revalued annually. Where an external valuation is not obtained, the directors determine the fair value of each property, using the valuation methodology in note 5. Through discussion with the executive directors, the audit committee is satisfied with the valuation methodology and inputs. A number of non-executive directors have extensive experience in the property industry and the Board as a whole approves the valuations. The audit committee also monitors differences between internal and independent external valuations and is satisfied overall that the fair value of investment properties is not materially misstated.

5. Financial Director

Pinny Hack resigned as Financial Director on 15 December 2022. At 30 June 2023, the recruitment process for a replacement was still in process. During this period the finance duties were assumed by the company's group financial manager, group financial controller, with oversight from the company's Chief Executive Officer.

The Audit and Risk Committee, in consultation with the Board of Directors of Texton, considered the finance team to have sufficient knowledge, qualifications and experience to adequately manage the finance function during this period.

6. Internal audit

The audit committee continues to assess the requirement to have an internal audit function as the Company grows. At this point in time, the audit committee has satisfied itself that the size and complexity of the Group does not warrant an internal audit function.

7. Proactive monitoring

The audit committee confirms that it has considered the findings contained in the JSE's 2022 Proactive Monitoring report when preparing the annual financial statements for the year ended 30 June 2023.

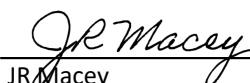
8. Internal financial controls

The audit committee reviewed the risk management and internal control framework presented by management and matters raised by the external auditors report as to the efficiency of the Group's internal financial controls.

In accordance with paragraph 3.84(g)(ii) of the JSE Listings Requirements, the audit committee confirms that no material breakdown of internal financial controls was identified during the current financial year.

9. Approval of annual financial statements

The audit committee confirms that it formally recommended the adoption of the Group annual financial statements to the Board of directors.



J.R. Macey

Chairman of the Audit and Risk Committee

22 September 2023

Texton Property Fund Limited

(Registration Number 2005/019302/06)

Annual Financial Statements for the year ended 30 June 2023

Director's Report

Nature of the business

Texton is a 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. The companies direct property portfolio is valued at R1.1 billion as at 30 June 2023 (2022: R1.2 billion) and our international indirect property investment portfolio amounts to R57.4 million (2022: R15.5 million). The direct property portfolio includes commercial, industrial and retail properties.

Subsidiary	Location	% owned
Discus House Proprietary Limited	South Africa	100%
Imperial Comm Props Proprietary Limited	South Africa	100%
Investage 183 Proprietary Limited	South Africa	100%
Nungu Trading 88 Proprietary Limited	South Africa	100%
TexStores Propriety Limited	South Africa	100%
US TP Investments 1 LLC	United States Of America	100%
Texton Property Investments UK Limited	United Kingdom	100%

Indirectly held subsidiaries- Held by Texton Property Investments UK:

TPI UK No2 Limited	United Kingdom	100%
TPI UK No1 Limited	United Kingdom	100%
Chevelon Investment Holdings Limited*	British Virgin Islands	100%
Heddon Investment Holdings Limited^	British Virgin Islands	100%
Zeya Investment Holdings Limited^	British Virgin Islands	100%
Ganix Investment Holdings Limited^	British Virgin Islands	100%

* This entity was liquidated on 23 August 2022

^These entities are currently in the process of being liquidated

Controlled entities

Vunani Property Investment Trust	South Africa	100%
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Joint Ventures

Inception (Reading) S.a.r.l. - Broad Street Mall	United Kingdom	50%
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Financial results

The detailed financial results are fully set out in the company financial statements.

Going concern

The Company has reasonably satisfied the liquidity and solvency test as required by the Companies Act and the directors have satisfied themselves that the Company is in a sound financial position and that it has access to sufficient facilities to meet its foreseeable cash requirements.

Texton entered in to a repurchase agreement with the Public Investment Corporation ("PIC") towards the end of the financial year to repurchase 72 129 048 Texton shares. This transaction ("PIC transaction") was funded through available cash in Texton's Rolling credit facility ("RCF"). Refer to the events after the reporting period below.

Management are in negotiations with Investec to renew the facilities expiring on 29 September 2023. Based on past experience on renewals with the bank and the fact that the debt has been reduced during the year through property disposals, management expect these facilities to be renewed.

Texton Property Fund Limited

(Registration Number 2005/019302/06)

Annual Financial Statements for the year ended 30 June 2023

Director's Report

The directors consider that the group has adequate resources to continue operating for the foreseeable future and realise its assets and settle its liabilities in the ordinary course of business. As such, it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

The directors consider that the company has adequate resources to continue operating for the foreseeable future and realise its assets and settle its liabilities in the ordinary course of business. As such, it is appropriate to adopt the going concern basis in preparing the company financial statements.

Banking facilities

Texton has unlimited borrowing powers in terms of the Memorandum of Incorporation ("MOI"), but the company has maintained its debt levels below 60% of its gross asset value in accordance with JSE requirements for REIT's. The company is also subject to certain financial covenants with the strictest being a 50% loan-to-value covenant on its bank borrowings. The company's overall debt was R 680 million (2022: R 1 100 million) at the reporting date as detailed in note 15 to the annual financial statements.

At year-end, all bank covenants were in compliance. Please refer to note 15 for more detail.

Sale of non core properties

Texton had two properties accounted for as held for sale at the beginning of the year, one of these properties was sold during the current financial year. Two other properties were transferred to held for sale during the year, one of which was sold within the year. At year end, Texton has two properties accounted for as held for sale to the value of R60 million.

Events after the reporting date

Share Repurchase

As announced on the Stock Exchange News Services ("SENS") on the Johannesburg Stock Exchange ("JSE") on 25 May 2023, Texton entered into a repurchase ("the Repurchase") agreement with the Public Investment Corporation ("PIC") to repurchase 72 129 048 Texton shares for a total consideration of R155 077 466.75. This transaction ("PIC transaction") was concluded on 17 July 2023 and funded through available cash in Texton's Rolling Credit Facility ("RCF").

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

The circular issued to shareholders documents that directors, in line with the JSE Listings Requirements, have considered the effect of the repurchase on liquidity and solvency.

Declaration of final dividend

The board of directors of Texton ("the board") is pleased to announce that Texton has declared a final dividend of 19.26 cents (2022:7.00 cents) per share for the year ended 30 June 2023. The total dividend for the year is 19.26 cents (June 2022:17 cents)

Texton may offer a dividend reinvestment plan as a mechanism to conserve cash for future expansion, which allows shareholders to reinvest their cash dividends in to additional shares in the company.

Changes to the Board

Penny Hack resigned as Chief Financial Officer during the year.

Texton Property Fund Limited

(Registration Number 2005/019302/06)

Annual Financial Statements for the year ended 30 June 2023

Director's Report

Company secretary

CorpStat Governance Services Propriety Limited, represented by William Somerville , continued to act company secretary during the year under review.

Stated capital

The authorised shares of the company consist of 2 000 000 000 (two billion) ordinary shares of the same class and no par value. Total shares in issue amounts to of 363 701 103 (2022: 365 638 418).

• General repurchase

Texton continues to repurchase its shares in the open market and will do so in terms of the authority that was provided by shareholders at the annual general meeting ("AGM") on 29 November 2021 and 30 November 2022.

Texton repurchased 2 086 070 shares during the year of which 1 937 315 were cancelled in the market. The remainder of the shares were cancelled subsequent to year end.

• Specific repurchase

At the General meeting held on 30 June 2023 a special resolution was passed authorising the repurchase of shares from the PIC. Texton repurchased 72 129 048 shares at R2.15 from the PIC subsequent to year-end, this represented approximately 19.8% of the total issued share capital.

Refer to note 13 for shares repurchased subsequent to year-end.

Auditors

BDO South Africa Inc. will be recommended to shareholders at the annual general meeting to continue in office in accordance with Section 90(1) of the Companies Act.

Litigation

The directors are not aware of any legal or arbitration proceedings that have commenced, are pending, have been threatened, or may have a material impact on the results of the company.

Independent Auditor's Report

To the Shareholders of
Texton Property Fund Limited

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of Texton Property Fund Limited (the company) set out on pages 14 to 88 , which comprise the separate statement of financial position as at 30 June 2023, and the separate statement of profit or loss and other comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of Texton Property Fund Limited as at 30 June 2023, and its separate financial performance and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Separate Financial Statements* section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

BDO South Africa Incorporated
Registration number: 1995/002310/21
Practice number: 905526
VAT number: 4910148685

Chief Executive Officer: LD Mokoena

A full list of all company directors is available on www.bdo.co.za

The company's principal place of business is at The Wanderers Office Park, 52 Corlett Drive, Illovo, Johannesburg where a list of directors' names is available for inspection. BDO South Africa Incorporated, a South African personal liability company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

Key audit matter	How our audit addressed the key audit matter
<p data-bbox="146 331 699 398">Valuation of Investment Properties - (Notes 5 and 11)</p> <p data-bbox="146 436 699 555">The company's investment property portfolio has a total value in the company's statement of financial position of R1 248 million as at 30 June 2023 (R1 411 million: 2022).</p> <p data-bbox="146 600 699 779">It is group policy that investment property is measured at their fair values with a minimum of one third of the portfolio being valued by an independent external valuation expert, whilst the remaining two thirds are valued by management.</p> <p data-bbox="146 824 699 1205">The valuation of the group's investment property portfolio is inherently subjective due to the estimates and judgements used in determining the property fair values, such as the exit capitalisation rates, discount rates, forecasted rental income and property expenses. Among other factors, the individual nature of the properties and their location, taking cognisance of the tenants occupying the properties, also affects the valuation of the investment property. Management apply assumptions for yields and estimated market rent to arrive at the final valuation.</p> <p data-bbox="146 1249 699 1451">The valuation of investment properties was considered to be an area of most significance during our audit of the consolidated financial statements for the year ended 30 June 2023, due to the significance of the balance, the significance of the estimates and the level of judgement involved.</p>	<p data-bbox="699 331 1450 398">The audit procedures we performed included, amongst others, the following:</p> <ul style="list-style-type: none"> <li data-bbox="746 443 1450 510">• We assessed the design and tested the implementation of relevant controls over the valuations process; <li data-bbox="746 517 1450 689">• We assessed the competency, capabilities and objectivity of management's external expert ("management's expert"). This included inspecting professional qualifications and registrations and making an assessment of the objectivity and appropriateness of management's expert; <li data-bbox="746 696 1450 875">• We inspected the valuation reports for the properties valued by management, and management's expert in the current year, to assess whether the valuation approach was in accordance with International Financial Reporting Standards, consistent with the prior financial year, and suitable for use in determining the fair value. <li data-bbox="746 882 1450 949">• We agreed all investment property fair values, to the underlying reports. <li data-bbox="746 956 1450 1023">• We tested the key assumptions used in the determination of fair values as follows: <ul style="list-style-type: none"> <li data-bbox="847 1023 1450 1285">○ The forecast revenue applied in the 1st year of the discounted cash flow ("DCF") was assessed for reasonability. This was performed by agreeing the actual revenue per the property management system to the amounts used in the DCF model. For a sample, the inputs within the property management system used to generate the revenue forecast was agreed to underlying signed rental agreements. <li data-bbox="847 1292 1450 1404">○ The projected property expenses applied in the 1st year of the DCF model was assessed for reasonability by comparing to actual property expenses. <li data-bbox="847 1411 1450 1590">○ We assessed the reasonability of revenue and expense growth rates subsequent to the initial forecast year based on our knowledge of the properties obtained through research, and by comparing to available industry data for similar investment properties. <li data-bbox="847 1597 1450 1709">○ We assessed the reasonability of the discount and exit capitalisation rates applied by comparing it to available industry data for similar investment properties. <li data-bbox="746 1715 1450 1783">• We have tested the mathematical accuracy of the DCF models, by reperforming the calculations. <li data-bbox="746 1789 1450 1946">• In addition to the above, we also identified key investment property valuations, and requested an external, independent auditor's valuation expert to independently assess and conclude on the the reasonability of the: <ul style="list-style-type: none"> <li data-bbox="847 1946 1450 2013">○ Forecast revenue applied in the 1st year of the discounted cash flow ("DCF") models; <li data-bbox="847 2020 1450 2074">○ Projected property expenses applied in the 1st year of the DCF models;

- Revenue and expense growth rates in the DCF models subsequent to the initial forecast year; and
 - Discount, exit and capitalisation rates applied by either management or management's expert.
 - We evaluated the adequacy of the disclosures in the consolidated financial statements relating to the valuation of investment properties in accordance with International Financial Reporting Standards.
-

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Texton Property Fund Limited Separate Company Financial Statements for the year ended 30 June 2023" and the document titled "Texton Property Fund Limited Consolidated Financial Statements for the year ended 30 June 2023" which includes the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Integrated Report, which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor's reports thereon.

Our opinion on the separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from

fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that BDO South Africa Incorporated has been the auditor of Texton Property Fund Limited for 3 years.

BDO South Africa Incorporated

BDO South Africa Incorporated (Sep 22, 2023 10:06 GMT+2)

BDO South Africa Incorporated
Registered Auditors

Stephan Cillié
Director
Registered Auditor

22 September 2023

119-123 Hertzog Boulevard
Foreshore
Cape Town, 8001

Texton Property Fund Limited

(Registration Number 2005/019302/06)

Financial Statements for the year ended 30 June 2023

Statement of Financial Position

	Notes	Company	
		2023 R `000	2022 R `000
Assets			
Non-current assets			
		2,513,114	2,781,651
Investment property	5	1,188,275	1,255,863
Equipment	6	5,544	6,464
Tenant installation	7	6,728	8,532
Investments in subsidiaries	36	1,251,872	1,164,155
Investment in joint venture	37	-	137,426
Unlisted investments	14	57,408	15,514
Lease commissions	8	3,287	4,905
Loans to subsidiaries	18	-	188,492
Other receivables	9	-	300
Current assets			
		334,101	180,163
Trade and other receivables	10	22,380	17,347
Dividends receivable		54,871	69,753
Income tax receivable		181	-
Other receivables	9	9,179	2,000
Loans to subsidiaries	18	233,650	78,318
Cash and cash equivalents	12	13,841	12,745
Investment property held for sale	11	60,000	155,000
Total assets		2,907,215	3,116,814
Equity and liabilities			
Equity			
		1,968,409	1,966,293
Share capital	13	3,066,027	3,072,627
Accumulated loss		(1,097,637)	(1,106,608)
Share based payment reserve	38	87	407
Foreign Currency Translation Reserve		(68)	(133)
Non-current liabilities			
		558,256	880,582
External loans and derivative financial instruments	15	555,154	877,480
Deferred tax	16	3,102	3,102
Current liabilities			
		380,550	269,939
External loans and derivative financial instruments	15	125,679	225,092
Trade and other payables	17	26,658	28,978
Income tax payable		-	8,721
Loans from subsidiaries	18	228,213	7,148
Total equity and liabilities		2,907,215	3,116,814

Texton Property Fund Limited

(Registration Number 2005/019302/06)

Financial Statements for the year ended 30 June 2023

Statement of Profit or Loss and Other Comprehensive Income

	Notes	Company	
		2023 R `000	2022 R `000
Investment property income	19	176,182	190,494
Straight-line rental adjustment		1,983	(1,843)
Property income		178,165	188,651
Reversal of impairment loss on trade receivables		414	998
Property expenses	21	(76,773)	(89,478)
Net property income		101,806	100,171
Other income	22	13,026	9,536
Dividends received from subsidiaries	20	54,871	69,753
Administrative expenses		(37,251)	(34,835)
Loss from joint venture	37	-	(24,949)
Expenses incurred for corporate transactions		-	(1,123)
Foreign exchange gains		3,984	12,010
Operating profit		136,436	130,563
Movement in expected credit loss allowance on inter-co loans		(5,381)	-
Finance income	23	9,117	12,893
Finance costs	24	(79,733)	(82,902)
Fair value adjustments	25	(17,361)	(92,683)
Profit on disposal of subsidiary		-	205,908
Impairment of investment in subsidiaries and joint venture		(10,820)	(6,228)
Profit before tax		32,258	167,551
Taxation income/(expense)	26	2,261	(4,381)
Profit for the year		34,519	163,170
Other comprehensive (loss)/income:			
Items that may be classified to profit or loss:			
Exchange differences on translating foreign operations		65	48
Total comprehensive income/(loss) for the year		34,584	163,218

Texton Property Fund Limited

(Registration Number 2005/019302/06)

Financial Statements for the year ended 30 June 2023

Statement of Changes in Equity

	Share capital R `000	Foreign currency translation reserve R `000	Share based payment reserve	Accumulated loss R `000	Total R `000
Balance at 1 July 2021	3,072,627	(181)	145	(1,096,209)	1,976,384
Share based payment transaction			262	-	262
Total comprehensive income for the year	-	48	-	163,170	163,218
Profit for the year	-	-	-	163,170	163,170
Exchange differences on translation of foreign operations	-	48	-	-	48
Dividends recognised as distributions to shareholder	-	-	-	(173,569)	(173,569)
Balance at 30 June 2022	3,072,627	(133)	407	(1,106,608)	1,966,293
Balance at 1 July 2022	3,072,627	(133)	407	(1,106,608)	1,966,293
Share based payment transaction			(320)		(320)
Total comprehensive income for the year	-	-	-	34,519	34,584
Profit for the year	-	-	-	34,519	34,519
Exchange differences on translation of foreign operations	-	65	-	-	65
Dividends recognised as distributions to shareholder	-	-	-	(25,548)	(25,548)
Shares repurchased and cancelled	(6,278)	-	-	-	(6,278)
Shares repurchased	(322)	-	-	-	(322)
Balance at 30 June 2023	3,066,027	(68)	87	(1,097,637)	1,968,409
Notes	13		38		

Texton Property Fund Limited

(Registration Number 2005/019302/06)

Financial Statements for the year ended 30 June 2023

Statement of Cash Flows

	Notes	2023 R `000	2022 R `000
Cash flows from operating activities			
Cash generated by operations	27	75,229	84,109
Interest received		2,966	12,163
Interest paid		(78,387)	(78,896)
Commissions paid		-	-
Dividends paid	29	(25,548)	(173,569)
Dividends received	30	-	14,899
Taxation paid	26	(6,641)	18,769
Net cash inflow from operating activities		(32,381)	(122,525)
Cash flows from investing activities			
Additions to property, plant and equipment	6	(1,196)	(2,487)
Additions to investment property	5	(5,487)	(30,626)
Proceeds on disposal of investment property classified as held for sale		4,404	-
Investment in unlisted investments		(11,312)	(15,514)
Return of investment		139,985	-
Loans repaid by subsidiaries		67,916	65,504
Loans advanced to subsidiaries		(11,049)	(70,764)
Loans to Subsidiaries		-	-
Repayment of loan to Inception (Reading) S.a.r.l		-	1,963
Share buyback from TPI UK Limited		-	39,380
Investment in TP US investments LLC		-	(15,300)
Commission paid		(1,680)	(1,273)
Vendor finance repayment		2,000	-
Increase in Investment TPI UK		(132,544)	-
Investment in Unlisted Investments/decrease in investment TPI UK		-	-
Loan to Supplier Development		(100)	-
Tenant installation incurred	7	(1,556)	(5,625)
Net cash inflow from investing activities		49,381	(34,742)
Cash flows from financing activities			
Treasury shares acquired	13	(322)	-
Treasury shares cancelled	13	(6,278)	-
Proceeds from external loans and derivative financial instruments	28	55,000	194,750
Repayments of external loans and derivative financial instruments	28	(141,071)	(80,665)
Debt structuring fees paid		-	(416)
Advancement of intercompany loans		76,775	-
Repayment of intercompany loans		(7)	-
Net cash outflow from financing activities		(15,904)	113,669
Net increase/(decrease) in cash and cash equivalents for the year		1,097	(43,598)
Cash and cash equivalents at the beginning of the year		12,745	56,343
Effect of exchange rate movement on cash and cash equivalents		-	-
Cash and cash equivalents at the end of the year	12	13,841	12,745

Texton Property Fund Limited

(Registration Number 2005/019302/06)

Financial Statements for the year ended 30 June 2023

Accounting Policies

Preparation of financial statements

The principal accounting policies applied in the preparation of the financial statements are set out in the notes to the financial statements and are consistent with those applied in the previous year, unless otherwise stated.

The financial statements were authorised for issue by the board of directors on 22 September 2023.

1. Basis of preparation

1.1 Reporting entity

Texton Property Fund Limited is a company listed on the JSE and is domiciled in the Republic of South Africa. The company financial statements include the financial statements of Texton Property Fund Limited ("Texton" or "the Company" or "the Fund").

1.2 Statement of compliance

The financial statements have been prepared in accordance with IFRS, the International Financial Reporting Interpretations Committee ("IFRIC") Interpretations, Have Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listing requirements of the Companies Act.

1.3 Basis of measurement

The financial statements are prepared on the historical cost basis, unless otherwise stated, and the accounting policies set out below have been applied consistently to all periods presented in these financial statements. The financial statements are prepared on the basis that the company is a going concern.

1.4 Functional and presentation currency

All items in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The annual financial statements are presented in South African Rand, which is Texton Property Fund Limited's functional and the company's presentation currency.

1.5 Use of estimates and judgements

The most significant judgements, estimates and assumptions that may have a material impact on the financial statements are as follows:

Valuation of investment property

The Board has used the best available evidence to determine the fair value of investment properties as set out in note 5 to the financial statements. This includes current market prices for properties with similar characteristics and leases and cash flow projections. As the available information is not directly comparable, the amounts are determined within a reasonable range of fair value. The principal assumptions underlying the Board's estimation of fair value are disclosed in note 5 and include the receipt of contracted rentals, lease renewals, maintenance requirements, operational costs and appropriate discount and capitalisation rates.

The sensitivity analysis in note 5 provides more detailed information on the changes in inputs on the valuation of investment property.

Market activity is being impacted in many sectors. As at the valuation date, the war in Eastern Europe is continuing and the Western world has responded with sanctions to Russia. Increasing inflation and higher borrowing costs may have an effect on the investment property prices

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Accounting Policies

Basis of preparation continued...

Other areas of significant judgement and estimations :

- Expected credit loss provision for trade receivables such as the use of market information, the credit ratings applied to categories of tenants, market growth rates and market data relating to the probability of default percentages applied to calculate the ECLs. For further information, refer to note 10 where details are explained.
- Valuation of unlisted investments , for further refer to note 14.

2. Accounting policies

Subsidiaries

Subsidiaries are entities over which the company has control. The company controls an entity when it is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to govern the financial and operating policies thereof. Subsidiaries are fully consolidated in the Group financial statements from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

In the Company financial statements, investments are accounted for at cost less accumulated impairment losses.

Joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Accounting for Joint ventures

Under the equity method, interests in joint ventures are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the company's share of the profit or loss and other comprehensive income of equity accounted investees, until the date on which significant influence or joint control ceases. Unrealised gains on transactions between the company and a joint venture are eliminated to the extent of the company's interest therein. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

When the company loses joint control, the company proportionately reclassifies the related items which were previously accumulated in equity through other comprehensive income to profit or loss as a reclassification adjustment. In such cases, if an investment remains, that investment is measured to fair value, with the fair value adjustment being recognised in profit or loss as part of the gain or loss on disposal.

Financial instruments

Classification

Financial instruments are contracts that give rise to financial assets in one entity and a financial liability or equity instrument in another entity.

Non-derivative financial assets

Financial assets are classified into the following categories: financial assets at fair value through profit or loss, fair value through other comprehensive income or at amortised cost. The classification depends on the contractual cash flow characteristics of the financial assets as well as the business model concerning the assets and is determined on initial recognition. Subsequent financial assets are not reclassified unless the company amends its business model for managing these financial assets.

The company's non-derivative financial assets comprise trade and other receivables, cash and cash equivalents and loans which are classified as financial assets at amortised cost and unlisted investments held at fair value through profit and loss.

On initial recognition financial assets are measured at fair value plus, for financial assets not measured at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets. Subsequently the company measures financial assets either at amortised cost or fair value through profit or loss.

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Accounting Policies

Accounting policies continued...

The company measures financial assets at amortised cost if both of the following conditions are met:

- the objective is to hold assets to collect contractual cash flows, in line with the company's business model, and;
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets are measured at fair value through profit or loss unless it is measured at amortised cost.

The company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the company is recognised as a separate asset.

The company's financial assets consist of:

- **Trade and other receivables**

Trade and other receivables are recognised at trade date at fair value and subsequently at amortised cost. Trade receivables are amounts due from tenants for contractual lease charges and recoveries and are classified as current unless recovery is expected more than 12 months from the reporting date.

Refer to note 10 for composition of trade and other receivables.

The company adopts the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

- **Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits. Cash and cash equivalents are carried at amortised cost which approximates fair value.

- **Other receivable**

Loans are carried at amortised cost, being the gross carrying amount less an allowance for expected credit losses. Interest earned is recognised on an accrual basis using the effective interest method.

- **Unlisted investments**

These investments are financial assets that are designated as financial assets measured through profit or loss. On initial recognition the investments are measured at fair value. On each measurement date they will be remeasured to its fair value and any gains or losses will be recognised in the income statement through profit or loss.

Non-derivative financial liabilities

Initial recognition of financial liabilities is at fair value less directly attributable transaction costs.

A financial liability is derecognised when its contractual obligations are discharged or cancelled or expire.

Subsequent to initial recognition, these financial liabilities are measured as follows:

- **Trade and other payables**

Trade and other payables are measured at amortised cost using the effective interest rate method.

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Accounting Policies

Accounting policies continued...

- **External Loans**

Non-derivative financial liabilities comprising long-term interest-bearing loans are subsequently measured at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings, is recognised over the term of the borrowings in accordance with the company's accounting policy for borrowing costs.

Derivative financial instruments

The company utilises derivative financial instruments to hedge its exposure to interest rate risks and foreign currency risks arising from operational, financing and investment activities. The company does not hold or issue derivative financial instruments for trading purposes and hedge accounting is not applied.

Derivative financial instruments are recognised initially at fair value. Attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value. The gain or loss on measurement to fair value is recognised immediately in profit or loss.

The company's derivative financial instruments comprise interest rate swaps, cross currency interest rate swaps and forward exchange contracts and that are either assets or liabilities.

Stated capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Investment property

Investment property is property (land and buildings) held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

On initial recognition, the investment property is measured at cost. The cost of investment property comprises the purchase price and directly attributable expenditure. Subsequent expenditure relating to investment property is capitalised when it is probable that it will result in future economic benefits and such expenditure can be measured reliably. All other subsequent expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequently, investment property is measured at fair value. Fair values are determined annually by external independent registered valuers and internally by the directors on the open market value basis. The valuers use either the discounted cash flow method or the capitalisation of net income method or a combination of both methods to determine the fair value. Gains or losses arising from changes in the fair values of investment property are included in profit or loss in the year in which they arise.

Investment property is maintained, upgraded and refurbished where necessary in order to preserve or improve the capital value as far as it is possible to do so. Maintenance and repairs which neither materially add to the value of the properties nor prolong their useful lives are charged against profit or loss.

Realised gains or losses on the disposal of investment property are recognised in profit for the year and are calculated as the difference between the proceeds and the carrying amount of the investment property as determined at the last valuation date.

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Accounting Policies

Accounting policies continued...

When the company begins to redevelop an existing investment property for continued future use as investment property, the property remains investment property which is measured based on the fair value model and is not reclassified as property, plant and equipment during the redevelopment.

Equipment

Recognition and measurement

Items of equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Subsequent expenditure on items of plant and equipment is capitalised when it is probable that future economic benefits associated with that expenditure will flow to the company and such expenditure can be measured reliably. All other subsequent expenditure is recognised in profit or loss in the period in which it is incurred.

When parts of an item of plant and equipment have different useful lives and a cost that is significant in relation to the total cost of the item, they are accounted for as separate items (major components) of plant and equipment.

Gains and losses on disposal of an item of plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the item of plant and equipment, and are recognised net within other income in profit or loss.

Depreciation

Depreciation is calculated by allocating the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value on a systematic basis over the useful life of the asset.

Depreciation is recognised in profit or loss on a straight-line basis over the current estimated useful lives of each significant component of plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

Equipment	3 – 5 years
Furniture and fittings	6 years
Computer equipment	3 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Impairment

Non-derivative financial assets

- **Trade and other receivables**

The company recognises a loss allowance for expected credit losses on trade and other receivables which are financial assets. The amount of expected credit losses is updated at each reporting period. The company measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses (the so-called "simplified approach" of IFRS 9), which represents the expected credit losses that will result from all possible default events over the expected life of the financial asset.

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Accounting Policies

Accounting policies continued...

The company makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at reporting date..

The customer base is diverse with significantly different loss patterns for different customer segments. The company combines customer segments which share similar credit risk characteristics for purposes of determining the credit loss allowance. Details of the provision matrix, per customer segment, is presented in note 10.

- **Other receivables**

The company recognises a loss allowance for expected credit losses on all loans receivable that are carried at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition.

The loss allowance is measured using, what is referred to as the general approach, at an amount equal to lifetime expected credit losses ("lifetime ECL") when there has been a significant increase in credit risk since initial recognition. If the credit risk has not increased significantly since initial recognition, then the loss allowance is measured at 12-month expected credit losses ("12-month ECL").

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of an instrument, while 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date.

Non-financial assets

The carrying amount of the company's and Company's non-financial assets, other than investment property, are reviewed at each reporting date to determine whether there is an indication of impairment. If such an indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss. The recoverable amount of an asset is the greater of its value in use and its fair value less costs of disposal. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and there is an indication that the impairment loss no longer exists.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Property letting commissions

Letting commissions are written off over the period of the lease.

Investment property held for sale

Investment properties are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than continuing use.

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Accounting Policies

Accounting policies continued...

Investment properties are only classified as held for sale when the property is available for immediate sale in its present condition, the Company is committed to a plan to sell the investment property, an active plan has been launched to locate a buyer and complete the sale, the property is being actively marketed at a sale price that is reasonable in relation to the current fair value of the non-current asset or disposal company and the sale is expected to qualify for recognition as a completed sale within one year from the date of classification. Such assets are measured at fair value.

Dividends paid

Dividends or other distributions to the holders of equity instruments, in their capacity as owners, are recognised directly in equity on the date of declaration.

Leases

Lessor accounting

The company are party to numerous leasing contracts as the lessor of property. All leases are operating leases, which are those leases where the company retain a significant portion of the risks and rewards of ownership.

The company allocates the consideration to each lease and non-lease component based on the amount as stipulated in the lease agreement as the rental for the asset is separate from the recovery of expenses.

An adjustment is made to contractual rental income earned to bring to account in the current period the difference between the rental income that the entity is currently entitled to and the rental for the period calculated on a smoothed, straight-line basis over the period of the lease term. This does not affect distributable earnings.

Costs incurred in an obtaining an operating lease are capitalised and these costs are recognised as an expense over the lease term.

Costs incurred in earning the lease income is recognised as an expense.

Modifications to an operating lease are accounted from the effective date of the modification, considering any lease income received in advance or accrued lease payments relating to the original lease as part of the lease payments for the modification.

Lessee accounting

The company is party to lease contracts as lessee for the use of property and IT equipment.

The company allocates the consideration to each lease and non-lease component based on the amount as stipulated in the lease agreement as the rental for the asset is separate from the recovery of expenses.

• Right of use asset

The company recognises the right-of-use asset at the commencement date of the lease. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liabilities, any initial direct costs incurred by the company, any lease payments made in advance of the lease commencement date, less any incentives received.

Right-of-use assets recognised as Investment property is subsequently measured at fair value.

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Accounting Policies

Accounting policies continued...

• Lease liability

The lease liability is initially measured at the present value of the future lease payments discounted using the interest rate implicit in the lease, or if that rate is not readily determinable, the company's incremental borrowing rate. Lease payments included in the measurement of the finance lease liability comprise:

- fixed payments; and
- variable lease payments dependent on an index or a rate, initially measured using the index or rate as at the lease commencement date.

Subsequent to initial measurement, the lease liability will be reduced for payments made and increased by the interest cost. Interest costs are included in finance costs in the statement of profit or loss and other comprehensive income over the lease period.

• Low value leased assets

Rentals for the low valued leased assets are recognised in other operating expenses. Low value assets include IT equipment. The company has applied the exemption in IFRS 16 for this asset, and a right-of-use asset has not been recognised. The threshold for low value assets are R100 000.

The rental is straight lined over the lease term.

• Variable lease payments

Variable lease payments that are based on turnover rental are excluded from the initial measurement of the lease liability and are recognised under property expenses, this has been disclosed separately under note 21.

Variable lease payments as described above are expensed as incurred.

• Short terms leases

A lease contract with a term of less than 12 months is considered a short term lease. The company has applied the exemption in IFRS 16, and a lease liability and right-of-use asset has not been recognised.

These lease payments are expensed as incurred.

Revenue

Investment property income

Revenue comprises rental income and recovery of expenses, excluding VAT.

Rental income from investment property is recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

Tenant recoveries are levied monthly in arrears as a result of the company recovering costs of providing the tenant with services as determined by the lease agreement. The company negotiates the terms of the service, manages the relationship with the suppliers and is liable for payment (even if the property is vacant or the expense is not recovered from the tenant), and therefore maintains primary responsibility for providing the service. The company acts as a principal on its own account when recovering operating costs from the tenant. The frequency and value of these recoveries are not detailed in the lease agreements as they are based on actual expenses incurred, therefore revenue from recoveries is accounted for in accordance with IFRS 15.

Revenue is recognised when a lease is signed and the tenant has taken occupation of the premises. Rental and recoveries are billed on a monthly basis on the South African properties and payment is due within the month either by the 1st or 15th of the month depending on the terms of the lease.

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Accounting Policies

Accounting policies continued...

Revenue other than from contracts with customers

Dividends received from subsidiaries

Dividends received from subsidiaries is recognised when the the Company's right to receive payment is established. The dividend is recognised directly in profit or loss. The dividend is recognised at book value.

Finance income and finance costs

Finance income comprises interest income on bank balances, interest on Cross Currency Interest Rate swaps and interest on Interest Rate swaps. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on bank balances, inter-company interest, interest on Cross Currency Interest Rate swaps, interest on Interest Rate swaps and bank loans. Finance costs are expensed in the period in which they are incurred.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised to the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. Other borrowing costs are expensed in the period in which they are incurred. Borrowing costs that are not directly attributable to the acquisition, construction or production of qualifying assets are recognised in profit or loss using the effective interest method.

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the company at the exchange rates as at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate as at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate as at the date that the fair value was determined. Foreign currency differences arising on translation are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations, are translated to the company's presentation currency (Rand) at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to Rand at the monthly average rate which approximates the actual rate. The foreign operations relate to the branch in the United Kingdom.

Foreign currency translation reserve ("FCTR")

Foreign currency differences on translation of the financial position and results of a foreign operation into the company's presentation currency are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is disposed of, in part so that control is lost, or in full, the relevant amount in the FCTR is reclassified to profit and loss as part of the profit or loss on disposal.

Where the settlement of a monetary item receivable from foreign operations is neither planned nor likely in the foreseeable future, foreign currency gains or losses arising from such item are considered to form part of the net investment in the foreign operation and are recognised in other comprehensive income and accumulated in the foreign currency translation reserve in equity.

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Accounting Policies

Accounting policies continued...

Employee benefits

Short-term employee benefits

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service on an undiscounted basis. The accrual for employee entitlements to salaries, bonuses and annual leave represents the amount which the company has a present obligation to pay as a result of employees' service provided to the statement of financial position date. The company does not provide any retirement or post-retirement benefits.

Equity settled share-based employee remuneration

For equity-settled share-based payment transactions, the company measures the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. If the company cannot estimate reliably the fair value of the goods or services received, the company measures their fair value, and their corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

The company operates a conditional share plan, which is classified as an equity-settled share-based payment plan, under which it receives services from employees as consideration for equity instruments of the company. The beneficiaries under the scheme are executive directors and management. The fair value of the employee services received in exchange for the grant of shares is recognised as an expense on a straight line basis over the vesting period, with a corresponding adjustment to the share-based payment reserve.

The total amount expensed to profit or loss is determined by reference to the fair value of the rights to the equity instruments granted, including any market performance conditions and excluding the impact of any non-market performance vesting conditions. Non-market performance vesting conditions are included in assumptions regarding the number of shares granted that are expected to vest. At the end of each reporting period, the company revises its estimates of the number of shares granted that are expected to vest and recognises the impact of any changes in profit or loss with a corresponding adjustment to equity.

The effect of all conditional shares granted is taken into account when calculating diluted earnings and diluted headline earnings per share.

Income tax

Tax expenses

The charge for current taxation is based on the taxable income for the year using the rates enacted or substantively enacted at reporting date and any adjustment for tax payable or receivable for previous years.

The company is not liable for income tax in South Africa to the extent of amounts distributed as it qualifies as a REIT in terms of the appropriate tax legislation and distributable profits are distributed as dividends. Profits that are not distributable in terms of S25BB of the Income Tax Act are subject to South African tax at the applicable rate.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

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Accounting Policies

Accounting policies continued...

Deferred tax

South Africa

The company is a REIT as defined by S25BB of the South African Income Tax Act which allows a deduction of the qualifying distribution to shareholders limited to taxable income. To the extent that no tax will become payable in future as a result of Section 25BB, no deferred tax was recognised on assessed losses and items such as IFRS accounting adjustments.

To the extent that no material amounts of tax will be payable in the future as a result of future distribution profits, no deferred tax is raised on items such as straight-line rental revenue adjustment and income received in advance.

Deferred tax is not recognised on the fair value adjustment of investment properties as capital gains tax is not applicable in terms of S25BB. In addition, Section 25BB does not allow for allowances relating to immovable property.

Allowances granted in prior years, before becoming a REIT must be recouped in the year the immovable property is sold. A deferred tax liability will be recognised on the recoupment to the extent it will result in a tax liability after the qualifying distribution deduction.

Related party transactions

Related party transactions are transactions which result in a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. Related parties refer to entities which the company directly or indirectly, through one or more intermediaries, controls or is controlled by or is in common control with. These include the subsidiaries and company entities. Related parties also include the Directors and the entities connected to the above.

3. Risk management

The Company's board of directors has overall responsibility for the establishment and oversight of the company's risk management framework. The Audit and Risk committee is responsible for developing the company's risk management policies, and evaluating and improving the effectiveness of risk management, control and governance processes within the company. The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls and to monitor risk and adherence to limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities. In respect of financial reporting risks, the Audit and Risk committee also oversees how management monitors compliance with the company's risk management policies and procedures.

The company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

This note presents information about the company's exposure to each of the above risks, the company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these annual financial statements.

Credit risk

Credit risk is the risk of financial loss to the company if a customer or counter party to a financial instrument fails to meet its contractual obligations and arises principally from the company's receivables from tenants. Credit risk also arises from the company's cash balances and derivative financial instruments (where these are in asset position) held with financial institutions.

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Accounting Policies

Risk management continued...

Exposure to credit risk is influenced mainly by the individual characteristics of each tenant. The widespread tenant base reduces credit risk. Management has established a credit policy under which each new tenant is analysed individually for credit worthiness before the company's standard payment terms and conditions are offered which include, in the majority of cases, the provision of a deposit of at least one month's rental. When available, the review includes external ratings.

A loss allowance is recognised for all trade receivables and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery. Trade receivables which have been written off are not subject to enforcement activities.

The company makes use of a provision matrix to determine the loss allowance, in accordance with the simplified approach of IFRS 9. The provision matrix has been developed by making use of past default experience of debtors but also incorporates forward looking information and general economic conditions of the industry as at the reporting date.

Trade receivables

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

- Region ;
- Type of debtor (government, large listed, other);
- Arrears status of the debtor; and
- Where the debtor is in arrears, whether a payment was made in the month immediately preceding the financial year-end, or not.

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

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

Probability of default

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

- Certain entities, particularly the South African government, may be slow or irregular payers. A typical arrears or default provision is not necessarily held in such cases; and
- The terms of payment with certain entities may be such that payments are due less frequently than monthly.
- In the current year the probability of default has been increased given the impact of Covid and current market conditions.

Industry statistics that are publicly available from Moody's regarding historical default behaviour is utilised to estimate 12-month PDs for government entities, large listed corporates and other (SMEs).

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

Loss given default ("LGD")

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

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

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Accounting Policies

Risk management continued...

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

In addition to the loss allowance, trade and other receivables and tenant recovery accounts are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation. Trade receivables which have been written off are not subject to enforcement activities.

Other receivables

Other receivables are recognised at trade date at fair value and subsequently at amortised cost. Other receivables are amounts that comprise of vendor financing in terms of investment property disposed.

Refer to note 9 for composition of other receivables.

The company adopts the general approach to measuring expected credit losses which uses a lifetime expected loss allowance for all other receivables.

Cash and cash equivalents

The company deposits funds and trades derivative instruments with various financial institutions in both South Africa and the United Kingdom. From a credit perspective, the company places reliance on the published credit ratings of the major rating agencies together with the company's own analysis and research.

Derivative financial instruments

The company is exposed to credit risk in relation to derivative financial instruments which have a mark-to-market value in favour of the company.

Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company manages liquidity risk by monitoring cash flows and ensuring that adequate cash is available and by maintaining or renewing borrowing facilities as appropriate.

The company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

Surplus cash is, however, utilised to reduce the other financial liabilities to optimise the borrowing costs. The facility is, however, an access facility and the surplus can be redrawn at any time should it be required to settle financial obligations.

The company monitors its net liquidity position on a continuous basis by means of expected cash flows. The company seeks to reduce liquidity risk through the regular review of the maturity profile of financial liabilities to reduce refinancing risk, utilising facilities with differing maturities to reduce maturity concentration and by employing revolving credit and other similar facilities.

Refer to note 33.2 for maturity analysis.

Market risk

Market risk is the risk that changes in the market prices, such as interest rates, foreign exchange rates and equity prices will affect profit or loss or the value of the holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return on risk.

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Risk management continued...

From the company's perspective, the main market risks at present pertain to interest rates (both in SA and the UK) and the foreign exchange rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The company uses derivatives to manage market risks. All such transactions are carried out within the Treasury policy guidelines as set by the Audit and Risk Committee.

The company does not apply hedge accounting and does not enter into derivative contracts for trading or speculative purposes.

• Interest rate risk

The company is exposed to interest rate risk on interest-borrowings, cash and cash equivalents and other short-term interest-bearing investments. The company enters into interest rate derivatives to manage borrowing costs.

• Foreign currency risk

The company's transactions are predominantly entered into in the respective functional currency of the Company and the individual subsidiaries. However, the Company utilises Pound Sterling borrowings and consequently is exposed to exchange rate fluctuations that have an impact on cash flows and financing activities. The translation of foreign operations to the presentation currency of Texton Property Fund Limited is not taken into account when considering foreign currency risk.

The company is exposed to currency risk in terms of GBP borrowings and distributions from subsidiaries. The company manages exchange rate risk across all Rand debt facilities and dividend payments through the use of currency derivatives.

Refer to note 33.3 for sensitivity analysis for interest and foreign risk.

Capital risk management

The company's objectives when managing capital are to safeguard the ability of the Company and its subsidiaries to continue as going concerns in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the company consists of external loans and trade and other payables disclosed in notes 15 and 17 and equity as disclosed in the statement of financial position. The company monitors capital on the basis of the gearing ratio.

The company considers the equity attributable to shareholders as the permanent capital of the company.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

4. Fair values

A number of the company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the methods below. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The company has an established control framework with respect to the measurement of fair values.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third-party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuation should be classified.

Significant valuation issues are reported at each reporting date by the company's Capital and Investment Committee for recommendation to the Board and significant valuation issues are reported to the company's Audit and Risk Committee.

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Accounting Policies

Fair values continued...

Investment property

Independent valuation companies and the Director's, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the company's investment property portfolio annually. The fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation.

Valuations reflect, when appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, and the market's general perception of their creditworthiness, the allocation of maintenance and insurance responsibilities between the company and the lessee, and the remaining economic life of the property.

Derivatives

The fair value of interest rate swaps and currency swaps is based on banker quotes.

Non-derivative financial assets and liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest as at the reporting date.

Interest-bearing loans

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest as at the reporting date. The interest rate used for determining fair value is the three-month JIBAR interest rate for local currency, or prime interest rate adjusted by a margin as agreed with the banks, to obtain a similar loan with similar remaining periods.

Unlisted investments

Texton has one type of unlisted investment which is measured at fair value.

Level 3 investments

Level 3 investments include the Cadre real estate investment. Fair values of these investments are determined based on the capital account valuations received from the sponsors.

Loans to subsidiaries and company entities

The carrying amount of the loans receivable approximates the fair value due to the loans being repayable on demand.

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies.

The principal accounting policies applied in the preparation of these annual financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Equipment

Initial measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost.

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Accounting Policies

Fair values continued...

The cost of an item of property, plant and equipment includes:

- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

4.2 Investment property

Recognition

Investment property is recognised as an asset when:

- it is probable that the future economic benefits that are associated with the investment property will flow to the entity; and
- the cost of the investment property can be measured reliably.

4.3 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

A financial asset is any asset that is:

- cash;
- an equity instrument of another entity;
- a contractual right to receive cash or another financial asset from another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.
- a contract that will or may be settled in the entity's own equity instruments and is a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
- a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include puttable financial instruments classified as equity instruments in accordance with paragraphs 16A and 16B, instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation and are classified as equity instruments in accordance with paragraphs 16C and 16D, or instruments that are contracts for the future receipt or delivery of the entity's own equity instruments.

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Accounting Policies

Fair values continued...

A financial liability is any liability that is:

- a contractual obligation to deliver cash or another financial asset to another entity to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity.
- a contract that will or may be settled in the entity's own equity instruments and is a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments or a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose, rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. Also, for these purposes the entity's own equity instruments do not include puttable financial instruments that are classified as equity instruments in accordance with paragraphs 16A and 16B, instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation and are classified as equity instruments in accordance with paragraphs 16C and 16D, or instruments that are contracts for the future receipt or delivery of the entity's own equity instruments.

As an exception, an instrument that meets the definition of a financial liability is classified as an equity instrument if it has all the features and meets the conditions in paragraphs 16A and 16B or paragraphs 16C and 16D of ISA32.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying');
- it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and
- it is settled at a future date.

A financial liability at fair value through profit or loss is a financial liability that meets one of the following conditions:

- It meets the definition of held for trading. A financial asset or financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term, on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking or it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument);
- upon initial recognition it is designated by the entity as at fair value through profit or loss in accordance with paragraph 4.2.2 or 4.3.5
- it is designated either upon initial recognition or subsequently as at fair value through profit or loss in accordance with paragraph 6.7.1

Trade and other receivables

Trade receivables are measured at initial recognition at fair value plus transaction costs. They are subsequently measured at amortised cost using the effective interest rate method, less allowance for expected credit losses. For trade receivables and contract assets, a simplified approach is applied in calculating expected credit losses. Instead of tracking changes in credit risk, a loss allowance is recognised based on lifetime expected credit losses at each reporting date. A provision matrix was established that is based on the company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Trade and other receivables are classified as debt instruments and loan commitments at amortised cost.

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Accounting Policies

Fair values continued...

Up to 30 June 2023, trade receivables were recognised initially at the transaction price. They were subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables was established when there was objective evidence that the company would not be able to collect all amounts due according to the original terms of the receivables."

Trade and other receivables were classified as loans and receivables up to 30 June 2023

4.4 Tax

Tax expense (tax income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for a period.

Deferred tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences.

Deferred tax assets are the amounts of income taxes recoverable in future periods in respect of:

- deductible temporary differences;
- the carry forward of unused tax losses; and
- the carry forward of unused tax credits.

Tax expense (income)

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, outside profit or loss, either in other comprehensive income or directly in equity.
- a business combination other than the acquisition by an investment of a subsidiary that is required to be measured at fair value through profit or loss.

Current tax and deferred tax is recognised outside profit or loss if the tax relates to items that are recognised, in the same or a different period, outside profit or loss. Therefore, current tax and deferred tax that relates to items that are recognised, in the same or a different period:

- in other comprehensive income, will be recognised in other comprehensive income;
- directly in equity, will be recognised directly in equity.

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Notes to the Financial Statements**5. Investment property**

	COMPANY			
	Cost R `000	Cumulative fair value adjustments R `000	Cumulative straight-line rental adjustment R `000	Carrying amount R `000
30 June 2023				
Investment property	1,264,677	(100,553)	24,151	1,188,275
30 June 2022				
Investment property	1,400,796	(206,438)	61,505	1,255,863
			30 June 2023 R `000	30 June 2022 R `000
Reconciliation of movement in investment property for the year:				
Balance at the beginning of the year			1,255,863	1,414,170
Additions			5,487	30,626
Straight-line rental adjustment			1,983	(1,843)
Fair value adjustments			331	(62,090)
Transfer to investment property held for sale			(76,137)	(125,000)
Disposals			(18)	-
Loss on disposal of assets			766	-
Balance at the end of the year			1,188,275	1,255,863
Value of investment property as per valuation reports			1,198,290	1,269,300
Net tenant installation cost- investment property			(6,728)	(8,532)
Net prepaid lease commission- investment property			(3,287)	(4,905)
Carrying amount			1,188,275	1,255,863

A register of investment property is maintained. The register is maintained at the Company's registered offices and is available for viewing.

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 applied. There has been no movements to and from level 3 during the year.

The Company's policy is to have at least one third of its properties externally valued by independent valuers each year and the remaining properties are valued internally by the directors of the Company using methodology that is similar to that used by the independent valuers.

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Notes to the Financial Statements***Investment property continued...***

Property and investment property held for sale amounting to R1.2 billion (2022: R1.4 billion) has been pledged as security in respect of the loans disclosed in note 15.

Details of SA valuations

Details of the external independent valuers are as follows:

Peter Parfitt (Dip val, MIV SA, RICS) of Quadrant Properties Proprietary Limited who is independent and is a member of the South African Institute of Valuers, independently valued seven properties in the SA portfolio as at 30 June 2023.

Theunis Behrens (NDip Val) of Real Insight (Pty) Ltd who is independent and is a member of the South African Institute of Valuers, independently valued two properties in the SA portfolio as at 30 June 2023.

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 - eg, future growth in revenue, exit capitalisation rates and discount rates. These are further explained below.

	30 June 2023	30 June 2022
	%	%
1) Discount rates used are included below:		
Sector		
Office	13.5%-15.75%	13.55%-16.80%
Industrial	-	16.00%
Retail	-	-
2) Exit cap rate for year 5 used are included below:		
Sector		
Office	10.0%-11.25%	9.00%-12.55%
Industrial	-	11.00%
Retail	-	-

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Notes to the Financial Statements***Investment property continued...***

3) The future revenue growth rate for the five year projection is included below:

Sector		
Office	4.00%-7.00%	4.00%-6.00%
Industrial	-	6.00%
Retail	-	-

Inter-relationship between key unobservable inputs and fair value measurements

All other factors being equal, higher net operating income would lead to an increase in the valuation of an investment property and an increase in the capitalisation rate or discount rate would result in a lower valuation and vice versa.

Higher assumptions for rental rates and lower assumptions for operating costs, would result in an increase in projected net operating income, and thus an increase in valuation.

	30 June 2023	30 June 2022
	R `000	R `000
Sensitivity analysis to exit capitalisation rates		
Exit capitalisation rate increases by 1%	(61,646)	(64,221)
Exit capitalisation rate decreases by 1%	76,047	81,063
Sensitivity analysis to discount rates		
Discount rate increases by 1%	(42,717)	(43,164)
Discount rate decreases by 1%	45,169	46,729
Sensitivity analysis to market rentals		
Market rental decreases by	11,778	12,125
Market rental increases by 1%	(11,650)	(12,275)

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Notes to the Financial Statements**6. Equipment****6.1 Balances for the period**

	COMPANY		
	At cost	Accumulated depreciation	Carrying amount
Balance at 30 June 2023			
Equipment	10,935	(5,582)	5,353
Fixtures and fittings	146	(64)	82
Computer equipment	697	(588)	109
	11,778	(6,234)	5,544
Balance at 30 June 2022			
Equipment	9,955	(3,947)	6,008
Fixtures and fittings	146	(20)	126
Computer equipment	697	(367)	330
	10,798	(4,334)	6,464

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Notes to the Financial Statements**Equipment continued...****6.2 Movements for the period**

Movements for year ended 30 June 2023	Carrying amount at 1 July 2022	Additions from acquisitions	Depreciation	Transfer to investment property held for sale	Disposals	Carrying amount at 30 June 2023
Equipment	6,114	1,274	(1,887)	(6)	(142)	5,353
Fixtures and fittings	105	-	(24)	-	-	81
Computer equipment	245	-	(135)	-	-	110
	6,464	1,274	(2,046)	(6)	(142)	5,544

Movements for year ended 30 June 2022	Carrying amount at 1 July 2021	Additions from acquisitions	Depreciation	Transfer to investment property held for sale	Disposals	Carrying amount at 30 June 2022
Equipment	4,712	2,431	(1,135)	-	-	6,008
Fixtures and fittings	136	-	(10)	-	-	126
Computer equipment	362	56	(88)	-	-	330
	5,210	2,487	(1,233)	-	-	6,464

7. Tenant installation

	COMPANY	
	30 June 2023	30 June 2022
	R `000	R `000
At cost	27,322	26,196
Accumulated depreciation	(20,594)	(17,664)
Carrying amount	6,728	8,532
Opening carrying amount	8,532	4,976
Additions	1,556	5,625
Transfer to held for sale	(818)	-
Depreciation	(2,542)	(2,069)
Closing carrying amount	6,728	8,532

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Notes to the Financial Statements

8. Lease commissions

	COMPANY	
	30 June 2023	30 June 2022
	R `000	R `000
Opening carrying amount	4,905	6,010
Commissions incurred during the year	1,640	1,273
Transfer to held for sale	(523)	-
Amortisation of letting commission	(2,735)	(2,378)
Closing carrying amount	3,287	4,905

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Financial Statements for the year ended 30 June 2023

Notes to the Financial Statements**9. Other receivables**

Loans receivable consist of vendor financing, amounts in escrow and deferred receivables related to the sale of certain properties during the year.

	COMPANY	
	30 June 2023 R `000	30 June 2022 R `000
Vendor financing		
• Plenty Properties 121 (Pty) Ltd@	Performing -	2,000
• Isibaya Properties Pty Ltd#	Performing 9,662	
• Cadiz Supplier Development loan*	Performing -	300
	9,662	2,300
Allowance for impairment	(483)	-
	9,179	2,300
Non-current other receivables	-	300
Current other receivables	9,179	2,000
Total	9,179	2,300

@ The loan to Plenty Properties 121 (Pty) Ltd was interest-free for 12 months and thereafter bore interest at the prime interest rate. The loan was settled during the year.

#The loan to Isibaya Properties (Pty) Ltd bears interest at prime plus 4% per annum and is repayable on 8 July 2023. To the extent interest has not been paid it will be capitalised to the loan and accrue interest thereon. In the event that the borrower does not pay the loan on 8 July 2023, the loan outstanding will bear interest at 7% per annum. There is a guarantee, cession and pledge in place in favour of the lender.

*The Cadiz supplier development loan is an investment held in products with Cadiz Asset Management with the purpose of complying with the BBBEE. The loan is interest free and unsecured.

Impairment

An ECL allowance is recognised for all other receivables and is monitored at the end of each reporting period

Other receivables are written off when there is no reasonable expectation of recovery.

Credit rating framework and credit loss allowance

In order to determine the credit loss, management determines credit rating grades for each of the other receivables.

In cases where there are no external ratings available, management has determined internal grades as per the following:

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Notes to the Financial Statements

Other receivables continued...

Internal rating grade	Definition
Performing	Low risk of default and no amounts are past due
Significant increase in credit risk	30 days past due but less than 90 days past due and no historical default
Default	90 days or more past due

All loans are graded as performing.

ECLs have been calculated in line with the general approach as follows in determining whether there has been an increase in the credit risk of the borrower. Should the receivable become more than 30 days past due, an assessment of the borrowers financial stability and ability to repay needs to be undertaken through the inspection of financial records and other available information. Where that assessment results in an inability to repay the loan, a significant increase in risk is identified and the ECL calculation in line with life time ECLs is applied. The lifetime ECL is effectively the sum of the expected life cycle of the asset' expected future loss after factoring in PDs based on a low, moderate and high scenarios and LGDs. Other receivables are only written off when a borrower has defaulted on the terms of the agreement or has ceased trading and has insufficient funds available to settle the borrowing. Discount rates used represent the interest rate attributable to the loan as per the requirements of IFRS 9. Changes in these discount rates do not have a material impact on the ECL calculation. During the current year there has been no significant increase in credit risk of any of the other receivables. All other receivables are performing and are within their credit terms.

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Notes to the Financial Statements**10. Trade and other receivables****Trade and other receivables comprise:**

	COMPANY	
	30 June 2023 R `000	30 June 2022 R `000
Trade receivables	8,390	8,028
Deposits	3,422	3,989
Tenant Recovery account	6,032	6,757
Allowance for impairment	(4,376)	(5,412)
Supplier and enterprise development loans	1,001	-
	14,469	13,362
Prepayments	7,911	3,256
Accrued interest	-	729
	22,380	17,347
Total trade and other receivables	22,380	17,347

Exposure to credit risk

Trade and other receivables inherently expose the company to credit risk. The policies and procedures adopted by the company to manage credit risk arising from trade and other receivables are disclosed in Note 3 Risk management.

The expected credit loss allowance is recognised for all trade receivables and is monitored at the end of each reporting period.

In addition to the loss allowance, trade and other receivables and tenant recovery accounts are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation. Trade receivables which have been written off are not subject to enforcement activities.

The company makes use of a provision matrix to determine the loss allowance, in accordance with the general approach of IFRS 9 as presented on pages 44. The provision matrix has been developed by making use of forward looking information and general economic conditions of the industry as at the reporting date. The company incorporated future retinal increases, in addition to the respective credit ratings (at reporting date) of trade and other receivables to the ECL calculation as the forward-looking factors in the ECL calculations.

The definition of default that is used is 90 days, or more, in arrears.

The definition is, however, applied carefully to certain cases:

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

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Notes to the Financial Statements**Trade and other receivables continued...**

Collateral relating to bank guarantees and deposits from tenants were considered in the determination of the ECL.

Even though the customer base is widespread, management monitors the tenant credit risk by grouping them according to their credit characteristics. The collective basis was used when considering impairment and trade receivables were grouped as follows, government, large listed and other. The provision for credit losses is therefore based on the accounts receivable age analysis along these risk groups. The loss allowance provision is determined as follows:

Tenant class	COMPANY				Total R `000
	Current R `000	30 days R `000	60 days R `000	Over 90 days R `000	
30 June 2023					
Government					
- gross carrying amount	3,417	-	-	-	3,417
- loss allowance (%)	0.04	-	-	-	0.04
- credit loss allowance	(1)	-	-	-	(1)
Net amount	3,416	-	-	-	3,416
Large listed					
- gross carrying amount	68	-	-	-	68
- loss allowance (%)	-	-	-	-	-
- credit loss allowance	-	-	-	-	-
Net amount	68	-	-	-	68
Other					
- gross carrying amount	8,073	273	553	6,461	15,360
- loss allowance (%)	0.61	-	11.73	64.67	31.53%
- credit loss allowance	(43)	(88)	(65)	(4,179)	(4,375)
Net amount	8,030	185	488	2,282	10,985
Total trade and other receivables					
- gross carrying amount	11,558	273	553	6,461	18,845
- loss allowance (%)	0.38	32.23	11.75	64.68	23.22
- credit loss allowance	(44)	(88)	(65)	(4,179)	(4,376)
Net amount	11,514	185	488	2,282	14,469

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Notes to the Financial Statements**Trade and other receivables continued...**

Tenant class	COMPANY					Total R `000
	Current R `000	30 days R `000	60 days R `000	Over 90 days R `000		
30 June 2022						
Government						
- gross carrying amount	3,984	-	-	-		3,984
- loss allowance (%)	0.04	-	-	-		0.04
- credit loss allowance	(2)	-	-	-		(2)
Net amount	3,982	-	-	-		3,982
Large listed						
- gross carrying amount	6,322	-	-	-		6,322
- loss allowance (%)	-	-	-	-		-
- credit loss allowance	-	-	-	-		-
Net amount	6,322	-	-	-		6,322
Other						
- gross carrying amount	2,059	1	1,692	4,716		8,468
- loss allowance (%)	0.08	-	65.43	89.99		63.89
- credit loss allowance	(59)	-	(1,107)	(4,244)		(5,410)
Net amount	2,000	1	585	472		3,058
Total trade and other receivables						
- gross carrying amount	12,365	1	1,692	4,716		18,774
- loss allowance (%)	0.49	-	65.43	89.99		28.83
- credit loss allowance	(61)	-	(1,107)	(4,244)		(5,412)
Net amount	12,304	1	585	472		13,362

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Financial Statements for the year ended 30 June 2023

Notes to the Financial Statements

Trade and other receivables continued...

Reconciliation of credit loss allowance

	COMPANY	
	30 June 2023	30 June 2022
	R `000	R `000
Opening balance	(5,412)	(10,641)
Amounts written off	105	314
Loss allowances on new trade receivables	(205)	(2,543)
Reversal of allowances	1,136	7,458
Closing balance	(4,376)	(5,412)

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Financial Statements for the year ended 30 June 2023

Notes to the Financial Statements**11. Investment property held for sale**

	COMPANY	
	30 June 2023	30 June 2022
	R `000	R `000
Opening balance	155,000	67,915
Transferred from investment property	76,900	125,000
Transfer to investment property	-	-
Fair value adjustments	(19,982)	(34,200)
Foreign currency translation reserve	-	-
Loss on disposal of investment property	(339)	(215)
Straight Lining adjustment	(18)	-
Disposals *	(151,561)	(3,500)
Closing balance	60,000	155,000

*Disposal amount includes non cash items due to vendor financing,(refer note 9).

Breakdown of closing balance

Cost	67,365	235,903
Cumulative Straight lining adjustment	1,268	-
Cumulative fair value adjustment	(8,676)	(80,903)
Cumulative equipment	6	-
Cumulative commissions	37	-
Closing balance	60,000	155,000

The items classified as held for sale comprise investment properties. The investment properties were classified as held for sale as part of the company's disposal strategy that has been ongoing and it is expected that the transfer of the assets will be concluded within the 2024 financial year-end.

Management have assessed the assets that were previously held for sale (12 Laub Street) but not yet sold. These assets still meet the requirements of IFRS 5 and the sale of these assets are expected to conclude in the next 12 months.

Fair value losses of R19.9 million (2022: R34.2 million gain) were included in profit or loss for the year.

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Financial Statements for the year ended 30 June 2023

Notes to the Financial Statements

12. Cash and cash equivalents

	COMPANY	
	30 June 2023 R `000	30 June 2022 R `000
Cash and cash equivalents comprise:		
Cash balances	13,841	12,745

Cash and cash equivalents comprise amounts which are immediately available and the carrying amounts are equivalent to the fair values.

All cash reserves are placed with reputable financial institutions. The bank's credit ratings are shown below which have an estimated potential default rating of zero, therefore expected credit loss of nil was raised.

Absa	Ba1 (Moody's Investor Services)
Standard Bank	Ba1 (Moody's Investor Services)
Investec	Baa3 (Moody's Investor Services)
Nedbank	Ba2 (Moody's Investor Services)

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Financial Statements for the year ended 30 June 2023

Notes to the Financial Statements**13. Share capital**

	COMPANY	
	30 June 2023 R `000	30 June 2022 R `000
Authorised		
2 000 000 (2022: 2 000 000) ordinary shares of no par value		
Issued		
363 701 103 (2022: 365 638 418) ordinary shares of no par value	3,066,027	3,072,627
Share capital		
Ordinary shares of no par value	-	-
Opening balance	3,072,627	3,072,627
Less Shares repurchased	(6,600)	-
	3,066,027	3,072,627

Texton repurchased 2 086 070 shares during the year of which 1 937 315 were cancelled in the market. The remainder of the shares were cancelled subsequent to year end.

	COMPANY	
	30 June 2023 R'000	30 June 2022 R'000
Share capital		
Ordinary shares of no par value		
Opening balance	3,072,627	3,072,627
Less: Shares repurchased and cancelled	(6,278)	-
Less Shares repurchased*	(322)	-
Closing balance	3,066,027	3,072,627

*These shares were repurchased prior to year end and cancelled subsequent to year end.

	COMPANY	
	30 June 2023 Number of shares	30 June 2022 Number of shares
Share reconciliation		
Ordinary shares of no par value		
Opening balance	365,638,418	365,638,418
Less: Shares repurchased and cancelled	(1,937,315)	-
Less Shares repurchased*	(148,755)	-
Closing balance	363,552,348	365,638,418

*These shares were repurchased prior to year end and cancelled subsequent to year end.

Notes to the Financial Statements

14. Unlisted investments

Unlisted investments comprise the following balances

Texton has invested in Cadre Real Estate Investments, as set out below

2023

US Investments

Cadre Real Estate Investment***

Fair value Hierachy	Commitment \$'000	Undrawn Commitment \$'000	Market Value \$'000	Market Value	Dividend income
Level 3	5,000	1,873	3,048	57,408	94
	5,000	1,873	3,048	57,408	94

2022

US Investments

Cadre Real Estate Investment***

Fair value Hierachy	Commitment \$'000	Undrawn Commitment	Market Value	Market Value	Dividend income
Level 3	5,000	3,976	1,024	15,514	-
	5,000	3,976.	1,024.	15,514.	-

2023

Cadre real estate investments***

Opening Balance	Acquisitions	Fair Value	Interest Received	Foreign currency movement	Closing Value
15,514	37,202	1,889	2,803	-	57,408
15,514	37,202	1,889	2,803	-	57,408

2022

Cadre real estate investments***

Opening Balance	Acquisitions	Fair Value	Interest Received	Foreign currency movement	Closing Value
-	15,461	53	-	-	15,514
-	15,461	53	-	-	15,514

Cadre Real Estate Investment***

Texton has invested alongside Cadre Real Estate Management, where we have entered into an investment advisory agreement to commit capital to Cadre for investments in real estate in the United States of America ("US" or "USA"). These investments will be targeted towards compelling assets with downside protection, specifically focusing on multi family, industrial, select office and select hospitality assets.

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Notes to the Financial Statements**15. External loans and derivative financial instruments****Summary**

	COMPANY	
	30 June 2023 R '000	30 June 2022 R '000
Standard Bank Limited (note 15.1)	555,317	805,750
Investec Private Bank Limited (note 15.2)	125,516	294,601
	680,833	1,100,351
At fair value through profit or loss		
Interest rate swaps	-	2,221
	680,833	1,102,572
Non-current portion	555,154	877,277
Current portion	125,679	225,295
	680,833	1,102,572

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Financial Statements for the year ended 30 June 2023

Notes to the Financial Statements**External loans and derivative financial instruments continued...****15.1 Standard Bank Limited**

	COMPANY	
	30 June 2023 R `000	30 June 2022 R `000
Carried at amortised cost	706,225	825,006
Less cash available in rolling credit facility*	(150,000)	(18,500)
Carried at amortised cost	556,225	806,506
Net structuring fees capitalised to loan	(908)	(755)
	555,317	805,751
Amounts to be settled within 12 months included in current liabilities	(163)	(223,452)
	555,154	582,299

Facility	Maturity date	Variable base rate	Margin %	30 June 2023	30 June 2022
				R `000	R `000
R150.0 million (2022: R131.5 million)*	30 June 2024	3m JIBAR	2.20	-	131,500
R103.7 million (2022: R200.7 million)	30 September 2025	3m JIBAR	2.10	103,695	200,678
R 0 million (2020:R50 million)	30 September 2022	Prime	(1.20)	-	22,571
R452,5 million (2020: R451.6 million)	30 September 2026	3m JIBAR	2.25	452,530	451,001
				556,225	805,750

*R150.0 million(June 2022: R 150.0 million) rolling credit facility. R150.0 million was deposited into the facility during the year and is available for draw down.

Texton has a security SPV, Imvula Income RF Proprietary Limited, in which all South African mortgage bonds are registered. Imvula then issues guarantees to the various funders. Guarantees relate to the company's own liabilities which are already fully disclosed.

The Standard Bank loans are secured by mortgage bonds over land and buildings located in South Africa with a value of R1 277.2 million (2022: R1 470.7 million).

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Financial Statements for the year ended 30 June 2023

Notes to the Financial Statements**External loans and derivative financial instruments continued...****15.2 Investec Private Bank Limited**

	COMPANY	
	30 June 2023	30 June 2022
	R `000	R `000
Carried at amortised cost	193,237	312,926
Less cash available in rolling credit facility*	(67,500)	(17,408)
Carried at amortised cost	125,737	295,518
Net structuring fees capitalised to loan	(221)	(917)
	125,516	294,601
Amounts to be settled within 12 months included in current liabilities	(125,516)	(1,843)
	-	292,758
Carried at fair value through profit or loss		
Interest rate swaps	-	2,221
Amounts to be settled within 12 months included in current liabilities*	-	(2,221)
	-	-

*The interest rate swaps expired on 24 May 2023

Facility	Maturity date	Variable base rate	Margin %	COMPANY	
				30 June 2023	30 June 2022
				R `000	R `000
R244.6 million (2022: R246.4 million)	29 September 2023	3m JIBAR	2.50	125,737	244,586
R67.5 million (2022: R70.0 million)*	29 September 2023	Prime	-0.80	-	49,089
				125,737	293,675

* R67.5 million (June 2022: R 70.0 million) rolling credit facility. R67.5 million was deposited into thr facility during the year and is available for draw down.

Texton has a security SPV, Imvula Income RF Proprietary Limited, in which all South African mortgage bonds are registered. Imvula then issues guarantees to the various funders.

The Investec loan is secured by mortgage bonds over land and buildings located in South Africa with a value of R378.9 million (2022: R663.5million).

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Financial Statements for the year ended 30 June 2023

Notes to the Financial Statements

External loans and derivative financial instruments continued...

	Fixed base rate (%)	Inception date	Maturity date	COMPANY	
				30 June 2023 R `000	30 June 2022 R `000
Interest rate swap 2	7.23	24 May 2019	24 May 2023	-	100,000
Interest rate swap 3	7.39	24 May 2019	24 May 2023	-	100,000
				-	200,000

These swaps expired during the year.

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Financial Statements for the year ended 30 June 2023

Notes to the Financial Statements

External loans and derivative financial instruments continued...

15.3 Bank covenants

Funder	Group Loan-to-value		Facility Loan-to-value		Group interest cover		Facility interest cover	
	Transaction covenant	Actual covenant	Transaction covenant	Actual covenant	Transaction covenant	Actual covenant	Transaction covenant	Actual covenant
2023								
Standard Bank	50%	24.2%	60%	43.0%	1.6 times	1.83 times	2.0 times	23. times
Investec	50%	32.8%	55%	36.0%	2.0 times	2.2 times	-	-
2022								
Standard Bank	50%	37.3%	60%	54.8%	2.0 times	2.1 times	2.0 times	2.3
Investec	50%	39.9%	55%	44.7%	2.0 times	2.1 times	-	-

Texton did not meet the ICR at the facility level at 31 December 2022. However, this covenant breach was condoned by Standard Bank. As part of the refinancing of the Standard Bank facilities that was done during the year, the loan covenants for the loan facility was also negotiated, the facility LTV was reduced from 2.0 times to 1.60 times .

All other bank covenants were complied with during the year.

Managing interest rate benchmark reform and associated risks

The global reform of interest benchmarks includes the replacement of some interbank offered rates ("IBOR") with alternative interest rates. Texton has exposure to IBORs on some of its loans and borrowings and derivative contracts held with SA banks for which there remains uncertainty regarding the timing and method of transition.

For the contracts indexed as Johannesburg Interbank Average Rate ("JIBAR"), uncertainty remains on the timing and method of transition. The contracts affected by the transition are set out in the table below.

	COMPANY	
	30 June 2023 R '000	30 June 2022 R '000
Liabilities exposed to ZAR JIBAR maturing after 30 June 2023		
External Loans	680,648	1,027,765
Derivatives	0.0	2,221
Total	680,648.00	1,029,986.00

Notes to the Financial Statements

16. Deferred tax

	COMPANY	
	30 June 2023 R `000	30 June 2022 R `000
Deferred tax liability	3,102	3,102
Deferred tax liability comprises:		
Capital allowances	3,102	3,102
Fair value adjustments	-	-
The movement in deferred tax during the year is as follows:		
Opening balance	3,102	3,102
Foreign currency translation movement	-	-
Recognised in profit or loss	-	-
Closing balance	3,102	3,102

South Africa

The Group is a REIT as defined by S25BB of the South African Income Tax Act which allows a deduction of the qualifying distribution to shareholders, limited to taxable income. To the extent that no tax will become payable in future as a result of Section 25BB, no deferred tax was recognised on assessed losses and items such as IFRS accounting adjustments. Deferred tax is not recognised on the fair value adjustment of investment properties as capital gains tax is not applicable in terms of S25BB. In addition, Section 25BB does not allow for allowances relating to immovable property. Allowances granted in prior years, before becoming a REIT must be recouped in the year the immovable property is sold. A deferred tax liability will be recognised on the recoupment to the extent it will result in a tax liability after the qualifying distribution deduction.

The corporate tax rate is 27%(2022: 28%)

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Financial Statements for the year ended 30 June 2023

Notes to the Financial Statements**17. Trade and other payables**

Trade and other payables comprise:

	COMPANY	
	30 June 2023	30 June 2022
	R `000	R `000
Financial instruments		
Trade and other payables	2,873	4,182
Deposits received	6,604	5,680
Accrued expenses	8,137	9,960
Other payables	1,051	2,201
Adjustment accounts related to sold buildings	217	51
Non-financial instruments		
Income received in advance	6,620	6,739
VAT payable	1,155	165
Total trade and other payables	26,658	28,978

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Financial Statements for the year ended 30 June 2023

Notes to the Financial Statements**18. Loans to subsidiaries****Credit rating framework and credit loss allowance**

In order to determine the credit loss allowances, management determine credit rating grades of each loan. In cases where external ratings are not available, management have determined internal grades as per the following table:

Internal rating grade	Definition
Performing	Low risk of defaults and no amounts are past due.
Doubtful low risk	30 days past due but less than 90 days past due and no history of default or where there is an impairment of the investment of the subsidiary due to a decrease in the fair value of the underlying properties.
Doubtful high risk	30 days past due but less than 90 days past due and has history of default or where there is an impairment of the investment of the subsidiary due to a significant decrease in the fair value of the underlying properties.
In default	90 days or more past due or where the investment in subsidiary is written off.

All loans made by Texton to its subsidiaries and company entities are classified as measured at amortised cost. The following loans' credit risk was assessed and it was determined that they are performing well as there has not been a deterioration in credit risk since the loans were originated. Therefore, the expected credit loss allowance was limited to the 12-month expected credit loss. No material expected credit loss was accounted for on these loans:

- Texstores Propriety Limited
- Imperial Comm Props Proprietary Limited
- Nungu Trading 88 Proprietary Limited
- TP US Investments LLC

The following loans were considered as having a significant increase in credit risk and have been categorised in the category "doubtful high risk". Therefore the expected credit loss allowance recognised during the period was the lifetime expected credit loss:

- Discus House Trading Proprietary Limited
- Texstores Propriety Limited

Company

Company	Basis of loss allowance	30 June 2023			30 June 2022		
		Gross carrying amount	Credit loss allowance	Amortised cost	Gross carrying amount	Credit loss allowance	Amortised cost
		R'000	R'000	R'000	R'000	R'000	R'000
Non-current assets							
Discus House Proprietary Limited*	Lifetime ECL	-	-	-	187,866	(928)	186,938
Nungu Trading 88 Proprietary Limited	12 month ECL	-	-	-	1,554	-	1,554
		0	0	0	189,420	-928	188,492

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Notes to the Financial Statements*Loans to subsidiaries continued...*

	Basis of loss allowance	30 June 2023			30 June 2022		
		Gross carrying amount	Credit loss allowance	Amortised cost	Gross carrying amount	Credit loss allowance	Amortised cost
		R'000	R'000	R'000	R'000	R'000	R'000
Current assets							
Investage 183 Proprietary Limited*	12 month ECL	-	-	-	18,060	-	18,060
Discus House Proprietary Limited*	Lifetime ECL	202,400	(6,291)	196,109	-	-	-
Nungu Trading 88 Proprietary Limited	12 month ECL	4,653	-	4,653	1,270	-	1,270
Imperial Comm Props Proprietary Limited*	12 month ECL	-	-	-	34,400	-	34,400
TP US Investments LLC	12 month ECL	32,829	-	32,829	24,588	-	24,588
Texstores Propriety Limited	Lifetime ECL	77	(18)	59	-	-	-
		239,959	(6,309)	233,650	78,318	-	78,318
Current liabilities							
Investage 183 Proprietary Limited*		(157,085)	-	(157,085)	-	-	-
Texton Property Investments UK Limited		-	-	-	(7,148)	-	(7,148)
Imperial Comm Props Proprietary Limited*		(71,128)	-	(71,128)	-	-	-
		(228,213)	-	(228,213)	(7,148)	-	(7,148)

IFRS 9 has been applied to Loans to/(from) company companies and loans to company entity.

Expected credit losses have been calculated in line with the company's methodology.

Where a significant increase in credit risk is identified, the ECL is calculated based on the life time expected credit loss, otherwise a 12 month expected credit loss is determined.

Expected credit losses have been calculated in line with the company's methodology. In determining whether there has been an increase in credit risk of the borrower, the company assesses the financial records of the borrowing entity and their ability to repay the loan. Where that assessment results in an inability to repay the loan, a significant increase in risk is identified and the expected credit loss calculation in line with life time expected credit losses is applied.

The lifetime expected loss is effectively the sum of the 10 years expected future loss after factoring in Probability of defaults ("PDs") based on a low, moderate and high scenarios and Loss given defaults ("LGs"). The PD is based on the same 12-month PDs used in Trade Receivables due to the demand feature in the loans receivable. The PD is multiplied by a factor when there is significant increase in the credit risk on the loan. The LGD used is based on the difference between Total assets and Total Liabilities. Discount factor used is based on the terms of the loans. The different scenarios used have different probabilities assigned to them as well as their effects on PDs.

Loans to Group companies are only written off when when a borrower has defaulted on the terms of the loan or has ceased trading and has insufficient funds available to settle the loan.

Life time expected credit losses are determined by taking into account the current loan balance as well as future charges relating to the loan such as interest etc. Future costs are then present valued to the reporting date in order to calculate the expected credit loss relating to the loan.

Discount rates used represent the interest rate attributable to the loan as per the requirements of IFRS 9.

Changes in these discount rates do not have a material impact on the expected credit loss calculation.

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Notes to the Financial Statements

Loans to subsidiaries continued...

Reconciliation of credit loss allowances

30 June 2023

	Gross carrying amount R'000	12-month Expected credit loss/(reversal) R'000	Lifetime expected credit loss (originated not credit impaired) R'000	Total R'000
Opening balance	275,387	-	(9,715)	265,671
Loans advanced to subsidiary- cash	87,824	-	3,406	91,230
Loans repaid by subsidiary- cash	(67,923)	-	-	(67,923)
Repayment of loans by subsidiary- non cash	(283,542)	-	-	(283,542)
Write off	-	-	-	-
Current year allowance	-	-	-	-
	11,746	-	(6,309)	5,436
Loans to subsidiaries				233,650
Loans from subsidiaries				(228,213)
				5,437

30 June 2022

	Gross carrying amount R'000	12-month Expected credit loss R'000	Lifetime expected credit loss (originated not credit impaired) R'000	Total R'000
Opening balance	413,945	-	(9,715)	404,230
Loans advanced to subsidiary	110,339	-	-	110,339
Loans repaid by subsidiary	(77,507)	-	-	(77,507)
Loans advanced by subsidiary	(56,747)	-	-	(56,747)
Interest accrual	11,105	-	-	11,105
Foreign exchange on translation of foreign loans	457	-	-	457
Unused allowance reversed	-	-	-	-
Disposal of of British Virgin Islands loan claims	(124,827)	-	-	(124,827)
Write off	(1,378)	-	-	(1,378)
	-	-	-	-
Current year allowance	-	-	-	-
	275,387	-	(9,715)	265,672

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Notes to the Financial Statements

Loans to subsidiaries continued...

Loans to subsidiaries

266,810

Loans from subsidiaries

(7,148)

259,662

19. Investment property income

	COMPANY	
	30 June 2023	30 June 2022
	R `000	R `000
Rental income	139,384	155,442
Recoveries of utilities from tenants	36,798	35,052
	176,182	190,494

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Notes to the Financial Statements

20. Dividends received from subsidiaries

	COMPANY	
	30 June 2023 R `000	30 June 2022 R `000
Dividends received from subsidiaries	(54,871)	(69,753)
Total distribution costs	(54,871)	(69,753)

21. Property expenses

	COMPANY	
	30 June 2023 R `000	30 June 2022 R `000
Cleaning	2,487	2,350
Commissions amortised	2,735	2,378
Other fixed asset	4,364	3,309
Electricity consumption	19,974	23,234
Gardens and landscaping	1,100	849
Insurance	1,947	2,116
Levies	3,472	5,768
Other municipal charges	2,221	2,326
Other property related expenses*	7,354	6,288
Property management fees	4,346	4,937
Rates and taxes	15,617	23,512
Rental paid**	-	635
Repairs and maintenance	3,654	4,267
- Recovered from tenants	458	209
- Not recovered from tenants	3,196	4,058
Security	4,746	4,653
Water consumption	2,756	2,856
	76,773	89,478

* Other property-related expenses includes consumables, legal and professional fees, lift and air-conditioning contracts among others.

** Included in rental paid are the variable lease payments

22. Other income

	COMPANY	
	30 June 2023 R `000	30 June 2022 R `000
Sundry income	1,206	3,639
Dividends received	974	-
Reversal of impairment	2,559	-
Asset management fees	8,287	5,897
	13,026	9,536

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Notes to the Financial Statements

23. Finance income

	COMPANY	
	30 June 2023 R `000	30 June 2022 R `000
Investment income	2,803	-
Bank and other cash	2,936	795
Subsidiaries	3,378	2,614
Interest received on swaps	-	9,484
	9,117	12,893

24. Finance costs

	COMPANY	
	30 June 2023 R `000	30 June 2022 R `000
Amortised cost		
Standard Bank Limited (variable)	58,355	48,943
Investec Private Bank Limited (variable)	17,935	19,093
Banks and other	28	1,631
Amortisation of structuring costs	1,662	1,926
Fair value through profit or loss		
Interest rate swaps	1,753	8,775
Interest on currency swaps	-	2,534
	79,733	82,902

25. Fair value adjustments

	COMPANY	
	30 June 2023 R `000	30 June 2022 R `000
Investment property	331	(62,090)
Loss on disposal of property	(1,858)	-
Investment property classified as held for sale	(19,982)	(34,200)
Financial instruments at fair value through profit or loss		
Interest rate swap	2,221	3,513
Fair value- revaluation on Investments	1,927	-
Currency swap	-	94
	(17,361)	(92,683)

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Notes to the Financial Statements

26. Income Tax

Income tax recognised in profit or loss:

	COMPANY	
	30 June 2023 R `000	30 June 2022 R `000
South African normal tax expense		
Current year	(2,261)	(5,146)
Deferred Tax	-	765
	(2,261)	(4,381)

In the budget speech held on 24 February 2022, the Minister of finance of South Africa announced the reduction of the company income tax from 28% to 27% for financial years ending on or after 31 March 2023.

	COMPANY	
	30 June 2023 R `000	30 June 2022 R `000
Profit/(loss) before income tax	32,258	167,551
Income tax statutory rate-27% (2022:28%)	(8,710)	(46,914)
Accounting adjustments - Fair value	(4,186)	(28,705)
Accounting adjustments - IFRS	(4,703)	1,010
Non-deductible expenses	(1,310)	(722)
Non taxable income*	(2,090)	(5,663)
Wear and tear allowances	4,366	6,168
Over provisions in prior years	2,261	874
Profit on sale of sub - not taxable	-	57,653
S24i(10A) prior year deferral now realised	-	(4,731)
Qualifying S25BB REIT distribution	13,500	16,636
s6quat rebate	3,133	-
	2,261	(4,394)
Effective tax rate	7.01%	-2.62%

*Relates to IFRS accounting adjustments, such as straight lining, profit from Joint venture.

South African laws

The income tax for the period comprises current and deferred income tax and is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it will also be recognised in other comprehensive income or directly in equity as applicable. The company is a REIT and all subsidiaries in the company are "controlled companies"(as defined by the Income Tax Act"). The company applies judgement in determining what sources of income constitute "rental income" as defined by S25BB of the Income Tax Act. After deducting "qualifying distributions".

	COMPANY	
	30 June 2023 R `000	30 June 2022 R `000
Income tax paid		
Income tax receivable at beginning of the year	(8,721)	(15,126)
Income tax payable at beginning of the year	-	-
Current year normal tax charged to profit or loss*	2,261	4,381
Income tax payable at end of the year	-	-
Income tax receivable at end of the year	163	(8,721)
	6,297	(19,466)

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27. Cash generated by operations

	COMPANY	
	30 June 2023 R '000	30 June 2022 R '000
Profit/(loss) before tax	32,258	167,551
Adjusted for:		
Amortisation and depreciation	7,244	5,687
Impairment allowance	10,819	(998)
Dividends received	(54,871)	(69,753)
Loss/(profit) from joint venture	-	24,949
Finance income	(9,148)	(12,893)
Straight line adjustment	(1,983)	1,843
Finance costs	78,043	82,902
Fair value adjustments	15,504	92,683
Share-based payment expense	-	262
Profit on disposal of subsidiary	-	(205,908)
Unrealised foreign exchange (gains)/loss	(4,128)	(1,812)
Taxation paid	-	-
Profit/ loss of disposal of assets	(319)	-
Loan Waiver Sable	-	(1,300)
Leave pay provision	-	295
Write off of tenant installation	681	-
Profit/ Loss on sale of property	2,935	-
Loss on disposal of investment property	-	-
Fair value adjustment of shares	(320)	-
Non cash flow items	5,932	-
Structure fees amortised	1,544	-
Write back of loan	(1,256)	-
Reversal of impairment on joint venture	(2,559)	-
Impairment of investments	-	6,228
Cash generated before working capital	80,376	89,736
Changes in working capital:		
- Decrease/ (increase) in trade and other	(3,478)	9,169
- (Decrease)/Increase in trade and other	(1,669)	(14,796)
Cash generated by operations	75,229	84,109

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28. Liabilities arising from financing activities

Non-cash changes

COMPANY

	1 July 2020 R'000	Cash flows* R'000	Non cash repayment R'000	Changes in fair values R'000	Refinance R'000	Reclassification R'000	Structuring fees amortised R'000	Interest accrual R'000	Total R'000
30 June 2023									
Non-current interest bearing borrowings	875,056	(86,071)	(233,985)	-	-	-	153	1	555,154
Current interest bearing borrowings	225,295	-	(101,004)	-	-	-	696	692	125,679
Assets held to hedge long term borrowings	2,221	-	-	(2,221)	-	-	-	-	-
Total liabilities from financing activities	1,102,572	(86,071)	(334,989)	(2,221)	-	-	849	693	680,833
30 June 2022									
Non-current interest bearing borrowings	963,909	122,669	(12,497)	-	-	(200,718)	1,604	89	875,056
Current interest bearing borrowings	51,901	(10,807)	(18,429)	-	-	200,718	-	1,912	225,295
Assets held to hedge long term borrowings	12,877	-	-	(10,656)	-	-	-	-	2,221
Total liabilities from financing activities	1,028,687	111,862	(30,926)	(10,656)	-	-	1,604	2,001	1,102,572

COMPANY	
30 June 2023 R'000	30 June 2022 R'000
Proceeds from other financial liabilities	194,750
Repayments of other financial liabilities	(80,665)
Debt structuring fees paid	(416)
Payment of prior year interest accrual*	(1,807)
	(86,071)
	111,862

*Included in finance costs paid on the cash flow

29. Dividends paid

	COMPANY	
	30 June 2023 R'000	30 June 2022 R'000
Dividends	(25,548)	(173,569)

Texton is a listed REIT and as per S13.47(a) of the JSE Listings Requirements, a REIT issuer is required to – "distribute at least 75% of its total distributable profits as a distribution to the holders of its listed securities (which includes shares and linked units) by no later than four months after its financial year end, subject to the solvency and liquidity test as defined in the Act and applied in section 46 of the Act"

No dividend was declared for the interim period ended 31 December 2022. The board of directors of Texton are pleased to announce that Texton has declared a final dividend of xx cents per share (2022:17.00 cents per share).

30. Dividends received

	COMPANY	
	30 June 2023 R'000	30 June 2022 R'000
Dividends receivable opening balance	(69,753)	25,704
Dividends from subsidiaries and company entities	54,871	69,753
Dividends receivable closing balance	(54,871)	(69,753)
Dividends received	(69,753)	25,704

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31. Commitments

	COMPANY	
	30 June 2023 R '000	30 June 2022 R '000
Operating leases - as lessor (income)		
Minimum lease payments receivable		
- Within one year	138,822	132,138
- Second year	110,425	134,773
- Third year	55,716	106,711
- Fourth year	26,877	78,315
- Fifth year	22,541	25,583
- Later than 5 years	42,347	60,689
Contractual cash inflows	396,728	538,209
- straight line rental adjustment	24,152	23,580
Future book revenue	420,880	561,789

Operating lease income represents rentals received by the Group for its properties. Leases are negotiated for an average term of xx years (2022: 3.01 years) in SA. Rentals on the properties escalate at an average rate of xx% per annum (2022: 6.75%).

Capital Commitments [IAS40]

Capital improvements in respect of Investment Properties:

Approved and committed	25,574	46,216
Approved and uncommitted	402	64,725
	25,976	110,941

Capital Commitments

Capital improvements in respect of unlisted investments

Approved and committed	35,280	64,833
Approved and uncommitted	-	-
	35,280	64,833

Operating Expense Commitments [IAS40]

Contractual commitments in respect of general maintenance to investment property:

- Within one year	3,449	12,671
- Two to five years	2,600	4,248
- Later than 5 years	-	-
	6,049	16,919

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32. Related parties

Related party relationships exist between the Company, its subsidiaries, directors, and key management of the company.

Refer to the Director's report for list of subsidiaries, Group entities and joint ventures.

Related through common shareholding/directorship or affiliated with related parties

Oak Tech Trading (Pty) Ltd

Oak Tech Trading (Pty) Ltd has 84 619 266 ordinary shares pledged as security for 38 months relating to borrowings in the amount of R95.3m as at 30 June 2023. The shareholders of Oak Tech Trading (Pty) Ltd are Kloof Capital South Africa (Pty) Ltd and Geomer Investments (Pty) Ltd. Robert Franco and Marcel Golding, who are non-executive directors of Texton, are the ultimate shareholders of Kloof Capital South Africa (Pty) Ltd and Geomer Investments (Pty) Ltd, respectively. Texton group paid consulting fees to Oak Tech of R30,000 in the prior year.

Kloof Capital (Pty) Ltd

During the current year, Texton group paid consulting and rental fees of R2,323,161.48 (2022:R2,163,649.31) to the related party.

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Related parties continued...

32.1 Inter-company transactions

	Loans*	Interest received/	Distributions	Distribution	Asset management	
	R'000	R'000	R'000	receivables	Rent paid	fee charged
				R'000	R'000	R'000
30 June 2023						
Discus House Proprietary Limited	202,400	-	12,859	12,859	-	1,295
Imperial Comm Props Proprietary Limited	(71,128)	-	12,503	12,503	-	335
Investage 183 Proprietary Limited	(157,084)	-	29,479	29,479	-	1,632
Nungu Trading 88 Proprietary Limited	4,653	-	30	30	-	52
TP US Investments LLC	32,829	(3,378)	-	-	-	-
Textores Propriety Limited	77	-	-	-	-	-
	11,747	-3,378	54,871	54,871	0	3,314
	Loans*	Interest received/	Distributions	Distribution	Asset management	
	R'000	R'000	R'000	receivables	Rent paid	fee charged
				R'000	R'000	R'000
30 June 2022						
Discus House Proprietary Limited	187,866	-	24,926	20,406	-	1,082
Imperial Comm Props Proprietary Limited	34,400	-	13,277	13,277	2,592	658
Investage 183 Proprietary Limited	18,060	-	31,550	31,551	-	2,031
Nungu Trading 88 Proprietary Limited	2,824	-	-	-	-	7
Sable Place Properties 121 Proprietary Limited	-	-	-	-	-	-
Heddon Investment Holdings Limited	-	327	-	(67)	-	-
Zeya Investment Holdings Limited	-	438	-	(1,286)	-	-
Chobe Investment Holdings Limited	-	-	-	-	-	-
Chevelon Investment Holdings Limited	-	-	-	-	-	-
Onslow Investment Holdings Limited	-	1,128	-	(3,424)	-	-
Cheltondale Investment Holdings Limited	-	-	-	-	-	-
Forbesdale Investment Holdings Limited	-	678	-	(6,561)	-	-
Ganix Investment Holdings Limited	-	(157)	-	(3,561)	-	-
Malabar Investment Holdings Limited	-	200	-	-	-	-
TP US Investments LLC	24,588	-	-	-	-	-
Texton Property Investments UK Limited	(7,148)	-	-	-6285	-	-
Group entities						
Vunani Property Investment Trust	-	-	-	-	-	-
Texton Property Fund Limited Share Incentive Scheme Trust	-	-	-	-	-	-
	260,590	2,614	69,753	44,050	2,592	3,778

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Notes to the Financial Statements

Related parties continued...

32.2 Compensation paid to directors and prescribed officers

	Fees paid R `000	Salaries, bonuses and performance related payments R `000	Total remuneration R `000	IFRS 2 Charge R'000	Total remuneration R `000
30 June 2023					
Executive Directors					
HSP Welleman	-	4,100	4,100	28	4,128
PM Hack*	-	2,507	2,507	(348)	2,159
Non-executive Directors					
MA Golding (Chairman)	442	-	442	-	442
R Franco	-	-	-	-	-
Independent Non-executive Directors					
AJ Hannington	338	-	338	-	338
JR Macey	416	-	416	-	416
W Van der Vent	286	-	286	-	286
S Thomas	312	-	312	-	312
Total compensation paid to directors and prescribed officers	1,794	6,607	8,401	(320)	8,081

* PM Hack resigned as CFO on 15 December 2022

	Fees paid R `000	Salaries, bonuses and performance related payments R `000	Total remuneration R `000	IFRS 2 Charge R'000	Total remuneration R `000
30 June 2022					
Executive Directors					
HSP Welleman	-	2,850	2,850	58	2,908
PM Hack	-	3,287	3,287	203	3,490
Non-executive Directors					
MA Golding (Chairman)	442	-	442	-	442
R Franco	217	-	217	-	217
Independent Non-executive Directors					
AJ Hannington	338	-	338	-	338
JR Macey	416	-	416	-	416
W Van der Vent	286	-	286	-	286
S Thomas	312	-	312	-	312
	-	-	-	-	-
Total compensation paid to directors and prescribed officers	2,011	6,137	8,148	261	8,409

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Related parties continued...

32.3 Directors' holdings

30 June 2023	Direct	Indirect	Total	% holding
MA Golding*	-	51,876,785	51,876,785	14.26%
AJ Hannington	-	-	-	-
JR Macey	-	31,925	31,925	0.01%
R Franco*	-	119,605,113	119,605,113	32.89%
S Thomas	-	-	-	-
HSP Welleman	-	-	-	-
	-	171,513,823	171,513,823	47%

30 June 2022	Direct	Indirect	Total	% holding
MA Golding*	-	51,876,785	51,876,785	14.19%
AJ Hannington	-	-	-	-
JR Macey	-	31,925	31,925	0.01%
R Franco*	-	119,605,113	119,605,113	32.71%
S Thomas	-	-	-	-
HSP Welleman	-	-	-	-
	-	171,513,823	171,513,823	47%

*MA Golding owns 55% and RA Franco owns 45% of Oak Tech

There has been no change in the shares held by directors since year end to approval of these financial statements.

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33. Risk management

The company's financial instruments consist mainly of deposits with banks, interest-bearing liabilities, derivative instruments, amounts due from subsidiaries, company entities and third parties, trade and other receivables and trade and other payables.

The company has exposure to the following risks from its use of financial instruments:

- Liquidity risk;
- Credit risk; and
- Market risk.

While risk management is the ultimate responsibility of the Board of Directors, the Board has delegated this responsibility to the Audit and Risk Committee which is responsible for developing and monitoring the company's risk management policies.

The company's risk management policies are established to ensure:

- improved risk management and control;
- the efficient allocating of funds to maximise returns;
- the maintenance of acceptable levels of risk within the company as a whole; and
- efficient liquidity management and control of funding.

The Audit and Risk Committee reviews Management's compliance with the company's risk policies and procedures and assesses the adequacy of the risk management framework. The Committee reports regularly to the Board of Directors.

33.1 Classification of financial instruments

The table below sets out the company's accounting classification of each class of financial asset and liability.

	Note	COMPANY			
		At amortised cost		Fair value through profit or loss	
		30 June 2023	30 June 2022	30 June 2023	30 June 2022
Financial assets					
Loans to subsidiaries	18	233,650	266,810	-	-
Loan to joint venture	37	-	-	-	137,426
Unlisted Investments	14	-	-	57,408	15,514
Trade and other receivables	10	17,844	18,774	-	-
Cash and cash equivalents	12	13,841	12,744	-	-
		265,335	298,328	57,408	152,940
Financial liabilities					
External loans and derivative financial instruments	15	680,833	1,100,351	-	2,221
Loan from subsidiary	18	228,213	7,148	-	-
Trade and other payables	17	18,883	22,074	-	-
		927,929	1,129,573	-	2,221

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Risk management continued...

33.2 Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due.

The company ensures that it always has adequate funds available and seeks to borrow for as long as possible at the lowest cost. Liquidity requirements are managed by monitoring forecasted cash flows and the maturity profile of financial liabilities.

A maturity analysis of financial liabilities is set out in the table below.

	COMPANY			
	Carrying amount R `000	Contractual cash flows R `000	Less than 1 year R `000	2 - 5 years R `000
30 June 2023				
Non-interest bearing	18,883	18,883	18,883	-
Fixed interest rate instruments	-	-	-	-
Variable interest rate instruments	680,833	867,855	188,888	678,967
Non-derivative financial liabilities	699,716	886,738	207,771	678,967
30 June 2022				
Non-interest bearing	22,074	22,074	22,074	-
Fixed interest rate instruments	2,221	2,221	2,221	-
Variable interest rate instruments	1,100,351	1,205,826	304,857	900,969
Non-derivative financial liabilities	1,124,646	1,230,121	329,152	900,969

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Risk management continued...

33.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rate, interest rates and equity prices will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising return. The company enters into derivatives and incurs financial liabilities in order to manage market risks. All such transactions are carried out within the guidelines set by the Audit and Risk Committee.

Interest rate risk

The company is exposed to interest rate risk as it borrows funds at variable interest rates.

	COMPANY	
	30 June 2023	30 June 2022
Fixed rate instruments		
Financial liabilities	-	(2,221)
	-	(2,221)
Variable rate instruments		
Financial assets	31,685	31,518
Financial liabilities	(680,833)	(1,100,351)
	(649,148)	(1,068,833)

Cash flow sensitivity analysis for variable rate instruments

A change of 50 basis points in the interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amount shown below. This analysis assumes that all other variables remain constant.

	COMPANY	
	30 June 2023 R '000	30 June 2022 R '000
Effect on equity and profit or loss		
50 bps increase	(3,246)	(5,344)
50 bps decrease	3,246	5,344

The company adopts a policy to manage its exposure to changes in interest rates on borrowings is on a fixed basis. This is achieved by entering into fixed rate swap instruments. All such transactions are carried out within the guidelines of the Audit and Risk Committee. As a consequence, the company is exposed to fair value interest rate risk in respect of the fair value of its interest rate financial instruments, which will not have an impact on distributions. Short-term receivables and payables and investments are not directly exposed to interest rate risk.

Currency risk

Currency risk related to investments in foreign operations

Currency risk related to foreign transactions

The company operates predominantly within its own common monetary area and therefore the company has no significant currency risk with regard to operational activities. During 2021 and 2020 it was not the company's policy to hedge transactions which are denominated in a currency other than the entity's functional currency, which only occurs with loans for acquisitions in foreign countries.

Currency risk related to foreign currency-denominated loan of the Company

The Company has loans denominated in foreign currency hence the exposure to exchange rate fluctuations arises. The currency giving rise to currency risk in which the Company primarily deals is GBP.

As at the reporting date, the Company's exposure to foreign currency risk was as follows, based on a notional amount.

	COMPANY	
	30 June 2023 GBP'000	30 June 2022 GBP'000
Foreign loans payable	-	-
Foreign loans receivable	-	-

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Risk management continued...

	USD'000	USD'000
Foreign loans payable		
Foreign loans receivable	1,500	1,500

The following significant exchange rates applied during the year:

	2023		2022	
	Closing rate R	Average rate R	Closing rate R	Average rate R
GBP	23.93		23.67	
USD	18.84		18.74	
			19.85	20.34
			16.31	15.22

Sensitivity analysis

A 10% strengthening of the Rand against the GBP as at 30 June would have increased/decreased profits and equity by the amount shown below. This calculation assumes that all other variables, in particular interest rates, remain constant.

	COMPANY	
	30 June 2023 R '000	30 June 2022 R '000
Foreign loans payable	-	-
Foreign loans receivable	-	2,466

33.4 Credit risk

Credit risk is the risk of financial loss to the company if a tenant or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the company's receivables from tenants, loans to subsidiaries, joint ventures

The carrying amount of financial assets below represents the maximum credit exposure. The maximum exposure to credit risk was:

	COMPANY	
	30 June 2023 R '000	30 June 2022 R '000
Trade and other receivables	17,844	18,774
Cash and cash equivalents	13,841	12,745
Loans to subsidiaries	233,650	266,810
	265,335	298,329

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Risk management continued...

33.5 Fair values

The carrying value of the assets and liabilities carried at amortised cost approximate fair value.

The fair value of trade receivables approximates its carrying amount as it is short term in nature. The fair values of all financial instruments, interest rate swaps and variable rate liabilities are substantially the same as the carrying amounts reflected on the statement of financial position.

Fair value hierarchy

The company measures fair values using the following hierarchy that reflects the significance of the inputs used in making the measurements:

• 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.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the company determines fair values using valuation techniques. Valuation techniques include net present value and discounted cash flow models and comparison to similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premiums used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument as at the reporting date which would have been determined by market participants acting at arm's length.

The company uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate swaps and cross currency interest rate swaps that use only observable market data and require little judgement and estimation.

Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives and simple over-the-counter derivatives like interest rate swaps and cross currency interest rate swaps. Availability of observable market prices and model inputs reduces the need for Management judgement and estimation and also reduces the uncertainty associated with the determination of fair values.

Investments at fair value in Level 3 represent investment properties, investment properties held for sale, loan to joint venture. A detailed reconciliation, as well as a sensitivity analysis of all major assumptions, have been included as part of the investment property note (note 5). Refer to note 37 for loan to joint venture and pro-rata net asset value calculation. All fair value adjustments were accounted for in profit or loss.

Cash and cash equivalents are not fair valued and the carrying amounts are presumed to equal fair value. Short-term receivables and short-term payables are measured at amortised cost and approximate fair value due to the short-term nature of these instruments. These instruments are not included in the fair value hierarchy.

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Risk management continued...

The table below analyses financial instruments carried at fair value by valuation method.

Valuation method	COMPANY			
	Level 1 R `000	Level 2 R `000	Level 3 R `000	Total R `000
30 June 2023				
Unlisted investments	-	-	57,408	57,408
Investment properties	-	-	1,188,275	1,188,275
Investment property held for sale	-	-	60,000	60,000
30 June 2022				
Interest rate swap	-	(2,221)	-	(2,221)
Unlisted investments	-	-	15,514	15,514
Loan to Joint venture	-	-	137,426	137,426
Investment properties	-	-	1,255,863	1,255,863
Investment property held for sale	-	-	155,000	155,000

Type	Valuation technique	Significant unobservable inputs	Interrelationship between key unobservable inputs and fair value measurements
Level 2 fair values			
The following table shows the valuation techniques used in measuring level 2 fair values:			
Derivative financial instruments - interest rate swaps	Fair valued monthly by Investec, 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
Level 3 fair values			
The following table shows the valuation techniques used in measuring level 3 fair values:			
Investment properties	Refer to note 5	Refer to note 5	Refer to note 5
Unlisted investments: Cadre	Texton will rely on the sponsor valuations to determine fair value at each valuation date. These valuations in turn are based on the underlying NAV of the investments.	Refer to Note 14	Refer to Note 14
Loan to joint venture	The value is driven predominately by the NAV of the investment, which is determined by the cash to be received from the investment. The investment property was sold in the prior year and the loan was repaid in the current year.	Not applicable	Not applicable

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34. Going concern

The Company has reasonably satisfied the liquidity and solvency test as required by the Companies Act and the directors have satisfied themselves that the Company is in a sound financial position and that it has access to sufficient facilities to meet its foreseeable cash requirements.

The directors consider that the company has adequate resources to continue operating for the foreseeable future and realise its assets and settle its liabilities in the ordinary course of business. As such, it is appropriate to adopt the going concern basis in preparing the company financial statements.

Texton entered into a repurchase agreement with the Public Investment Corporation ("PIC") towards the end of the financial year to repurchase 72 129 048 Texton shares. This transaction ("PIC transaction") was funded through available cash in Texton's Rolling credit facility ("RCF"). Refer to the events after the reporting period below.

Management are in negotiations with Investec to renew the facilities expiring on 29 September 2023. Based on past experience on renewals with the bank and the fact that the debt has been reduced during the year through property disposals, management expect these facilities to be renewed.

The directors consider that the group has adequate resources to continue operating for the foreseeable future and realise its assets and settle its liabilities in the ordinary course of business. As such, it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

The directors consider that the company has adequate resources to continue operating for the foreseeable future and realise its assets and settle its liabilities in the ordinary course of business. As such, it is appropriate to adopt the going concern basis in preparing the company financial statements.

35. Events after the reporting date

The following events are reported:

• Share Repurchase

As announced on the Stock Exchange News Services ("SENS") on the JSE on 25 May 2023, Texton entered into a repurchase ("the Repurchase") agreement with the Public Investment Corporation ("PIC") to repurchase 72 129 048 Texton shares for a total consideration of R155 077 466.75. This transaction ("PIC transaction") was concluded on 17 July 2023 and funded through available cash in Texton's Rolling Credit Facility ("RCF").

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

The circular issued to shareholders documents that directors, in line with the JSE Listings Requirements, have considered the effect of the repurchase on liquidity and solvency.

Declaration of a final dividend

The Board of directors of Texton ("the board") is pleased to announce that Texton has declared a final dividend of 19.26 cents (2022:7.00 cents) per share for the year ended 30 June 2023. The total dividend for the year is 19.26 cents (June 2022:17.00 cents).

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36. Investments in subsidiaries and company entities

The following table lists the entities which are controlled by the Company, either directly or indirectly through subsidiaries.

	Place of incorporation	Percentage holding	
		30 June 2023	30 June 2022
		%	%
Subsidiaries			
Discus House Proprietary Limited	South Africa	100%	100%
Imperial Comm Props Proprietary Limited	South Africa	100%	100%
Investage 183 Proprietary Limited	South Africa	100%	100%
Nungu Trading 88 Proprietary Limited	South Africa	100%	100%
Sable Place Properties 121 Proprietary Limited	South Africa	100%	100%
TexStores Proprietary Limited	South Africa	100%	100%
Texton Property Investments UK Limited	United Kingdom	100%	100%
Chevelon Investment Holdings Limited	United Kingdom	100%	100%
Heddon Investment Holdings Limited	United Kingdom	100%	100%
Zeya Investment Holdings Limited	United Kingdom	100%	100%
Forbesdale Investment Holdings Limited	United Kingdom	100%	100%
Onslow Investment Holdings Limited	United Kingdom	100%	100%
Ganix Investment Holdings Limited	United Kingdom	100%	100%
Malabar Investment Holdings Limited	United Kingdom	100%	100%
TP US Investments LLC	United States of America	100%	100%
Controlled entities			
Vunani Property Investment Trust	South Africa	100%	100%
Joint Venture			
Inception (Reading) S.a.r.l.- Broad Street Mall	United Kingdom	50%	50%

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Investments in subsidiaries and company entities continued...

Reconciliation of closing balance

	Opening balance June 2022	Increase/(Decrease) in Investments	(Increase)/Decrease in Impairment	Closing Balance June 2023
Subsidiaries				
Discus House Proprietary Limited	-			0.00
Imperial Comm Props Proprietary Limited	56,174			56,174
Investage 183 Proprietary Limited	369,248			369,248
Nungu Trading 88 Proprietary Limited	40,004		-671	39,333
Sable Place Properties 121 Proprietary Limited	585	-585		0
TexStores Propriety Limited	0.00	1.00		1.00
Texton Property Investments UK Limited	677,547	98,653		776,200
Chevelon Investment Holdings Limited				0
Heddon Investment Holdings Limited				0
Zeya Investment Holdings Limited				0
Forbesdale Investment Holdings Limited				0
Onslow Investment Holdings Limited				0
Cheltondale Investment Holdings Limited#				0
Ganix Investment Holdings Limited				0
Malabar Investment Holdings Limited				0
TP US Investments LLC	15,300		-9,680	5,620
TPI UK No1 Limited				0
				0
Controlled entities				
Vunani Property Investment Trust	5,295			5,295
				0
Joint Venture				
Inception (Reading) S.a.r.l- Broad Street Mall	0.00			0.00
	1,164,155	98,069	-10,351	1,251,872

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Investments in subsidiaries and company entities continued...

Reconciliation of closing balance

	Opening balance June 2021	Increase/(Decrease) in Investments	(Increase)/Decrease in Impairment	Closing Balance June 2022
Subsidiaries				
Discus House Proprietary Limited	0.00			0.00
Imperial Comm Props Proprietary Limited	56,176			56,176
Investage 183 Proprietary Limited	369,248			369,248
Nungu Trading 88 Proprietary Limited	42,740		-2,737	40,003
Sable Place Properties 121 Proprietary Limited	585			585
TexStores Proprietary Limited				0.00
Texton Property Investments UK Limited	287,948	389,600		677,548
Chevelon Investment Holdings Limited		0		0
Heddon Investment Holdings Limited	6382	-6,382		0
Zeya Investment Holdings Limited	7799	-7,799		0
Forbesdale Investment Holdings Limited	4504	-4504		0
Onslow Investment Holdings Limited	21008	-21008		0
Cheltondale Investment Holdings Limited#				0
Ganix Investment Holdings Limited	41104	-41104		0
Malabar Investment Holdings Limited	6072	-6072		0
TP US Investments LLC		15,300		15,300
TPI UK No1 Limited				0
				0
Controlled entities				
Vunani Property Investment Trust	5,737		-442	5,295
				0
Joint Venture				
Inception (Reading) S.a.r.l- Broad Street Mall	0.00			0.00
	849,303	318,031	-3,179	1,164,155

	Cost	Accumulated impairments	Carrying amount
30 June 2023			
Investments and subsidiaries and company entities	1,370,794	(118,922)	1,251,872
30 June 2022			
Investments and subsidiaries and company entities	1,383,102	(218,947)	1,164,155

The investments are tested annually for impairment. The impairment is calculated by comparing the net asset value of each entity (the recoverable amount) to the carrying amount of the investment. The impairments are a result of a decrease in underlying property values in the subsidiaries. The impairment has been accounted for in profit or loss.

The Company has no sponsored entities and has no interest in unconsolidated entities.

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37. Investment in joint venture: Inception (Reading) S.a.r.l - Broad Street Mall*

Group and Company

	Carrying amount	
	30 June 2023 R `000	30 June 2022 R `000
Cost	137,426	119
Share of post-acquisition (losses)/profits	-	(98,019)
Loan to joint venture reclassified as equity	-	276,962
Impairment of interest in joint venture	-	(41,636)
Reversal of impairment of joint venture	2,559	
Funds received from joint venture	(139,985)	
	-	137,426

The company has a 50% (2022: 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.

On 2 March 2015, the Company entered into agreements, including a joint venture agreement with Moorgarth Holdings (Luxembourg) S.à.r.l, a subsidiary of JSE-listed Tradehold Limited, whereby Texton acquired 50% of a special purpose vehicle, Inception (Reading) S.à.r.l. Inception was then used as the vehicle to acquire a well-located retail shopping centre (Broad Street Mall) in Reading, England, with Texton's 50% contribution for the total purchase price. The acquisition of Broad Street Mall was successfully concluded on 3 July 2015. On 25 June 2022, Broad Street Mall was successfully sold to a 3rd party for 57,5 million GBP. Inception (Reading) S.a.r.l will be liquidated once all remaining liabilities and contingent assets have been settled and received.

Summarised statement of financial position

	COMPANY	
	30 June 2023 R `000	30 June 2022 R `000
Non-current assets	-	-
Current assets	-	42,122
Trade and other receivables	-	7,480
Prepayments	-	1,854
Cash and cash equivalents	-	32,788
Non-current liabilities	-	-
Other financial liabilities	-	-
Deferred tax	-	-
Current liabilities	-	(28,366)
Net assets excluding shareholder loans (100%)	-	13,756
Proportionate share of net assets excluding shareholder loans (50%)	-	6,878
Carrying amount of investment	-	137,426

This information was extracted from Broad Street Mall's summarised unaudited financial statements for the twelve months ended 30 June 2022.

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Investment in joint venture: Inception (Reading) S.a.r.l - Broad Street Mall continued..*

Summarised statement of comprehensive income

	COMPANY	
	30 June 2023 R `000	30 June 2022 R `000
Revenue	-	84,423
Depreciation	-	(671)
Loss before net finance costs	-	(17,094)
Finance costs**	-	(30,198)
Loss before income tax expense	-	(47,292)
Income tax expense	-	(2,606)
(Loss)/profit for the period	-	(49,898)
Other comprehensive income	-	-
Total comprehensive income	-	(49,898)
Equity accounted (loss)/profit (50%)	-	(24,949)

** Excludes interest on shareholder loans.

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38. Share based payment reserve

	COMPANY	
	30 June 2023 R '000	30 June 2022 R '000
Opening balance	407	145
Expense recognised in profit and loss	(320)	262
Shares issued during the current year	-	-
Closing balance	87	407

In terms of the Conditional Share Plan ("CSP"), approved and adopted by shareholders on 30 November 2020, the company has granted conditional shares to the executive directors and staff. The full details of the scheme are included in the remuneration report.

Details of the conditional shares awarded are set out below :

	Tranche 1 11-Jun-21 30-Jun-23	Tranche 2 30-Jun-22 30-Jun-24	Total
Grant date			
Vesting date			
P Hack			
Opening shares	416,667.00	63,360	480,027
Shares Awarded	0.00	-	-
Share forfeited	-416,667.00	(63,360)	(480,027)
Total Shares awarded	0.00	-	-
HSP Welleman			
Opening shares	0.00	63,360	63,360
Shares Awarded	0.00	-	-
Total shares awarded	0.00	63,360	63,360

The CSP awards have been recognised as equity-settled share-based payments as a separate category within equity. The fair value of the CSP has been measured using the Black-Scholes model.

Details of assumptions

Expected volatility of 16.42% has been based on an evaluation of the historical volatility of the company's shareprice since listing. The expected forfeiture rate has been based on historical experience and general employee behaviour. Where these result in changes in the non-market conditions of the scheme, the cumulative impact is charged to profit or loss in the year the adjustment is made

The shares awarded under tranche 1 comprise performance shares (65%) which are subject to a 2 year service period and the achievement of certain financial and individual performance measures and retentions shares (35%) which are subject to a 2 year service period only.

The shares awarded under tranche 2 comprise performance shares (65%) which are subject to a 2 year service period and the achievement of certain financial and individual performance measures and retentions shares (35%) which are subject to a 2 year service period only.

On the vesting date the participant is entitled to settlement of the award and no amount is payable by the participant for the settlement of shares that have vested. The actual quantum of shares received by a participant on vesting will depend on the extent to which the performance conditions, set out in the award letter, are achieved and will be determined over the performance period. No conditional shares vested during the year.

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39. UK Restructure

In the 2021 financial year, the only property held by Cheltondale and Chevelon Investment Holdings Limited being DHL and Poundland, was disposed of during the year. On that date, a portion of the liabilities owing to HSBC were settled. These entities were sold to TPI UK Limited.

Texton commenced with the process of consolidating the BVI Companies and/or their investments properties under Texton Property Investments UK Limited("TPI")(100% owned by Texton). - starting with Cheltondale Investment Holdings Limited ("Cheltondale") and Chevelon Investment Holdings Limited ("Chevelon") (collectively "Target companies"). From a company perspective, Texton disposed of all the shares held by it in Cheltondale and Chevelon and all of its loan claims against Cheltondale and Chevelon to TPI, in exchange for the issue of further ordinary shares by TPI to Texton (non-cash investing activity) .

In the 2022 financial year, the company completed the restructure of the offshore direct property holding entities (Heddon Investments Holdings Limited, Zeya Investments Holdings Limited, Forbesdale Investment Limited, Onslow Investments Holding Limited, Malabar Investment Holdings Limited and Ganix Investment Holdings Limited) under TPI UK Limited. All the loan claims and shares owned by the company where sold to TPI UK limited in exchange for shares.

	Company	
	30 June 2023	30 June 2022
	R'000	R'000
Sale of loan claim to TPI UK		
- Heddon	0.00	15,876
- Zeya	0.00	21,285
- Forbesdale	0.00	33,460
- Onslow	0.00	54,788
- Malabar	0.00	9,735
Sale of Investment to TPI UK		
- Heddon	0.00	6,383
- Zeya	0.00	7,799
- Forbesdale	0.00	4,503
- Onslow	0.00	21,003
- Malabar	0.00	6,075
- Ganix	0.00	41,104
	0	222,011
Investment in TPI UK		427,919
Profit on disposal	0	205,908

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40. Standards, Amendments and interpretations for the first time at 30 June 2023

The standards, amendments and interpretations effective for the first time in the current financial year have been summarised below. The impact of the adoption of these standards have been considered.

Statement	Effect for accounting periods beginning on or after	Summary of key points	Impact on the company
Amendments to IAS 1: Classification of liabilities as current or non-current	Annual periods beginning on or after 1 January 2024.	The amendments aim at providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date.	This amendment was early adopted by the Company. Refer to note 15.
IAS 1 Presentation of financial Statements (Amendment - Non Current Liabilities with covenants)	Annual periods beginning on or after 1 January 2024.	Subsequent to the release of amendments to IAS 1 Classification of Liabilities as Current or Non-current, the IASB amended IAS 1 further in October 2022. If an entity's right to defer is subject to the entity complying with specified conditions, such conditions affect whether that right exists at the end of the reporting period, if the entity is required to comply with that condition after the reporting period. The amendments also provide clarification on the meaning of "settlement" for the purpose of classifying a liability as current or non-current.	This amendment was early adopted by the Company. Refer note 15.
IAS 16 Property, Plant and Equipment (Proceeds before intended Use)	The amendments are effective for annual periods beginning on or after January 1, 2022.	In May 2020, the IASB issued amendments to IAS 16, which prohibit a company from deducting amounts received from selling items produced while the company is preparing the asset for its intended use from the cost of property, plant and equipment. Instead, a company will recognise such sales proceeds and any related costs in profit and loss.	The impact of this amendment was not material to the Company.
IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendment - Onerous contracts)- Cost of fulfilling a contract	The amendments are effective for annual periods beginning on or after January 1, 2022.	In May 2020, the IASB issued amendments to IAS 37, which specify the costs a company includes when assessing whether a contract will be loss making and is therefore recognised as an onerous contract. These amendments are expected to result in more contracts being accounted for as onerous contracts because they increase the scope of costs that are included in the onerous contract assessment.	The impact of this amendment was not material to the Company.
Amendments to IFRS 3 (May 2020): Reference to Conceptual Framework	Annual periods beginning on or after 1 June 2022.	The amendments seek to update and outdated reference in IFRS 3 without significantly changing its requirements.	The impact of this amendment was not material to the Company.

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Standards, Amendments and interpretations for the first time at 30 June 2023 continued...

Statement	Effect for accounting periods beginning on or after	Summary of key points	Impact on the company
Disclosure of accounting policies (Amendment to IAS 1 and IFRS practice statement 2)	Annual periods beginning on or after 1 January 2023.	In Feb 2021, the IASB has issued amendments to IAS 1, which change the disclosure requirements with respect to accounting policies from "significant accounting policies" to "material accounting policy information". The amendments provide guidance on when accounting policy information is likely to be considered material. The amendments to ISA 1 are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted. As IFRS Practice statements are non-mandatory guidance, no mandatory effective date has been specified for the amendments to IFRS Practice Statement 2	The changes are not expected to have a material impact on the company financial statements.
Definition of Accounting Estimates (Amendment to IAS 8)	Annual periods beginning on or after 1 January 2023	In February 2021, the IASB issued amendments to IAS 8, which added the definition of Accounting Estimates in IAS 8. The amendments also clarified that the effect of a change in an input or measurement technique are changes in accounting estimates, unless resulting from correction of prior period errors.	The changes are not expected to have a material impact on the financial statements and the company will apply the amendments prospectively.
Deferred Tax related to Assets and Liabilities arising from a Single Transaction	Annual periods beginning on or after 1 January 2023	In May 2021, the ISAB issued amendments to IAS 12, which clarify whether the initial recognition exemption applies to certain transaction that result in both an asset and a liability being recognised simultaneously (e.g, a lease in the scope of IFRS 16). The amendments introduce an additional criterion for the initial recognition exemption under IAS 12. 15, whereby the exemption does not apply to the initial recognition of an asset or liability which at the time of the transaction , gives rise to equal taxable and deductible temporary differences.	The changes are not expected to have a material impact on the financial statements and the company will apply the amendments prospectively.