



TEXTON  
PROPERTY FUND

CONDENSED CONSOLIDATED  
UNAUDITED INTERIM RESULTS  
for the six months ended 31 December

**2022**

## KEY METRICS



Greenstone Hill  
Office Park

### DIRECT PROPERTY PORTFOLIO VALUE

South Africa (“SA”)

**R1,73  
billion**

(2021: R2,129 billion)

United Kingdom (“UK”)

**R472  
million**

(2021: R491 million)

### INTERNATIONAL PROPERTY INVESTMENTS

**R538,5  
million**

(December 2021: R189,2 million)

### LOAN-TO-VALUE (“LTV”) RATIO<sup>#</sup>

**26,9%**

(December 2021: 31,2%)

### CORE PORTFOLIO VACANCIES<sup>^</sup>

**17,2%**

(December 2021: 14,6%)

### NET ASSET VALUE (“NAV”)

**609,51 cents  
per share**

(December 2021: 593,32 cents per share)

### DISTRIBUTABLE INCOME PER SHARE

**13,39 cents  
per share**

(December 2021: 12,39 cents per share)

### INTEREST COVER RATIO (“ICR”)

**2,1 times\***

(December 2021: 2,4 times)

<sup>^</sup> Core vacancy data excludes properties held for sale for both periods under review.

<sup>#</sup> Calculated according to the SA REIT Association Best Practice Recommendations 2019 second edition guidelines.

\* Texton's Group ICR.

# 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 31 December 2022 (2021: R3,3 billion) and our international property investment portfolio amounts to R538,5 million (2021: R189,2 million).

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 SA and the UK and deploying capital into high-quality property investments in developed markets with best-in-class asset managers.

## PERFORMANCE FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

The macro-environment has been challenging over the period under review. We have seen continued increases in interest rates, inflation has continued to remain stubbornly elevated and SA has continued to experience load shedding. Nonetheless, Texton has continued to execute its strategy of investing in its properties, selling non-core assets and allocating capital to offshore assets in developed markets with best-in-class asset management. We believe that despite the challenges that face our industry, there is still significant value and opportunity in global real estate, which we believe we will be able to unlock.

We have continued to roll out our small-medium enterprises ("SME") strategy in our SA office portfolio which has seen much success, and we are looking to expand this product across our portfolio. The success of this strategy is key to unlocking value in our SA portfolio. The increased load shedding has forced many smaller tenants that were previously working from home to find locations that have backup electricity generation as these businesses need to operate from stable, secure and safe environments. While the increase in load shedding may encourage tenants to return to the office, the costs involved in maintaining backup power generation through solar power and diesel generators are significant.

The sale of non-core assets has continued over the period. We have successfully completed the sale of R395 million of non-core assets, of which R186 million has been used to permanently pay down debt; the remainder of the proceeds has been placed in our revolving credit facility ("RCF"). Interest rates have continued to rise in SA, and this has resulted in Texton's interest rate cover ratio ("ICR") coming under pressure. Our Standard Bank facility ICR covenant was breached over the period, however, this was condoned by Standard Bank. As part of the renewal of our facilities with Standard Bank, we have been successful in negotiating a lower ICR covenant as part of our debt extension. Our UK assets have continued to perform in line with forecast and provide us with stable 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 R31,4 million (2021: R176 million) during the period. Texton still has capital commitments of R177,8 million, which we will look to deploy as the year progresses.

Overall, Texton has been able to increase its distributable income by 8,1% from 12,39 cents per share to 13,39 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. The remainder of the year, from a cost perspective, will be determined by Eskom's ability to provide stable power.

## DIVIDEND

The Board of directors of Texton ("the Board") has elected not to pay an interim dividend for the six months ended 31 December 2022.

## HIGHLIGHTS

### Capital allocation

#### Direct property investments

- R8,4 million was invested in properties in SA as part of our continued roll out of our SME strategy. The SME strategy is a key component in reducing office vacancies in our portfolio, and further investments will be made into the strategy going forward
- Vacancies in the core SA portfolio decreased to 19,6% from 22,3% compared to June 2022
- Collections in SA remained at a healthy 98,3%, while the UK portfolio is at 100%.

#### International property investments

- £5,5 million (R93,6 million) was committed to GIM Investments PCC Limited for investments in the manufactured housing real estate sector in the USA
- Texton received dividends of \$264 654 (R4,6 million) from Blackstone Real Estate Income Trust iCapital Offshore Access Fund SPC ("BREIT Offshore") and \$283 923 (R4,9 million) from Starwood Real Estate Income Trust Offshore Fund SPC ("SREIT Offshore") for the six-month period
- \$5,0 million (R85 million) was allocated to Cadre, of which \$1,923 million (R32,8 million) (June 2022: \$1,024 million (R17,5 million)) has been invested in six (June 2022: four) investment properties in the USA with a bias towards multi-family assets
- £2,6 million (R55 million) was allocated to a last mile environmental, social and governance ("ESG") logistics fund, of which £1,1 million (R23 million) (June 2022: £0,4 million (R8 million)) has been invested.

### Share buyback

- Texton, through its subsidiary Discus House Proprietary Limited ("Discus House"), repurchased 685 182 shares at an average cost of R3,51 per share over the period. These shares are being held as treasury shares in the subsidiary. Discus House holds 31 853 013 shares in treasury as at 31 December 2022
- A further 1 937 315 shares were purchased directly by Texton at an average cost of R3,24 per share, and these have been cancelled in the market

- Texton will continue to repurchase shares in the market as they become available in accordance with the shareholder-approved annual general meeting ("AGM") resolution.

### Capital management

#### Asset disposal

- Three of the five properties, to the value of R395 million, held for sale as at 30 June 2022 were transferred by 31 December 2022. These sales have enabled Texton to continue to successfully recycle capital from directly held non-core assets to strengthen our balance sheet and diversify our investments.

#### Balance sheet management

- The LTV remains healthy at 26,9% at period-end, with all entities remaining within the LTV covenants
- We reduced long-term debt by R319 million<sup>1</sup>, of which R186 million is a permanent decrease in our long-term debt
- Texton has R279 million cash on hand, excluding cash available in debt facilities.

### Operational excellence

- 29 new leases were completed in the six months under review with a combined gross lettable area ("GLA") of 10 288m<sup>2</sup>; the majority of these leases were leased to SME tenants in line with our strategy
- Increased investment in ESG initiatives such as solar power, energy-efficient lighting and water pressure management
- Achieved a Level 4 Broad-based Black Economic Empowerment ("B-BBEE") rating from previously being non-compliant.

<sup>1</sup> Including funds paid into the committed RCF.

## Distributable earnings

Total distributable income for the six-month period ended 31 December 2022 amounted to R44,5 million (December 2021: R42,3 million), representing a 5,2% (June 2021: 43,6%) increase in distributable income. The Board has elected not to pay an interim dividend for the six months ended 31 December 2022.

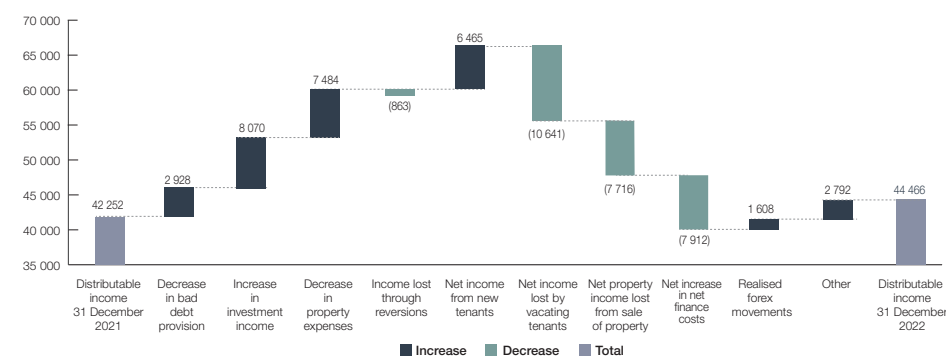
### Calculation of distributable earnings

	Six months ended 31 December 2022 R'000	Six months ended 31 December 2021 R'000	Variance %
Revenue	159 838	172 070	(7,1)
Impairment losses on tenant debtors	2 383	(112)	2 227,7
Property expenses	(68 501)	(75 722)	9,5
Investment revenue	10 411	2 341	344,7
Administrative expenses	(19 356)	(19 392)	0,2
Depreciation and amortisation	5 477	2 549	114,9
Net finance cost	(45 786)	(37 874)	(20,9)
– Finance income	3 596	9 681	(62,9)
– Finance cost	(49 382)	(47 555)	(3,8)
Distribution of realised foreign exchange (loss)/gain	–	(1 608)	100,0
<b>Total distributable earnings</b>	<b>44 466</b>	<b>42 252</b>	<b>5,2</b>
Distributable income per share (cents)	<b>13,39</b>	12,39	8,1
Dividend per share (cents)	–	10,00	–

Texton has been able to grow distributable income as compared to the prior period mainly as a result of:

- Investment income from our international investments has significantly increased as our investments have begun to pay out dividends and this is expected to increase in the second half of the 2023 financial year as our investments continue to deliver income returns.
- Our cost management, at both the property and administrative levels, has yielded good results. We have been able to gain better efficiencies at our head office and properties through the use of an internalised facilities management team.

The table below shows the high-level breakdown of the movement in earnings.



**Net property income** decreased by R2,5 million compared to the previous period (excluding the effect of straight-lining of rental), primarily as a result of the sale of buildings and the reversion on rental to retain or attract new tenants to our office parks. Revenue should remain relatively consistent for the remainder of the year. Our direct property expenses continue to decrease and we expect this trend to continue as we optimise our property costs. However, increased load shedding and the cost to provide consistent power to our tenants has and will result in increased property expenses for the remainder of the year.

**Other income** increased by R8,1 million as a result of our international indirect property investments which have started to deliver income returns. 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** have remained consistent as compared to the same period last year. Texton expects that these costs will continue to decrease over the remainder of the year as efficiencies in the UK structure and SA head office improve.

**Net finance costs** increased by 20,9% as a result of **finance income** decreasing largely due to the close out of the cross-currency interest rate swap in the prior year. **Finance costs** have increased by 3,8% due to the rise in interest rates, however, the cost has remained relatively low 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	December 2022		December 2021	
	GLA %	Value %	GLA %	Value %
Office	86,8	89,3	62,8	74,2
Retail	3,4	7,5	12,3	17,0
Industrial	9,8	3,2	24,9	8,8
<b>Total</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>

#### GLA reconciliation

	GLA m <sup>2</sup>
Balance as at 30 June 2022	246 948
Disposals	(70 824)
Remeasurements	(296)
<b>Balance as at 31 December 2022</b>	<b>175 828</b>

## Vacancy and letting

### Core vacancy analysis

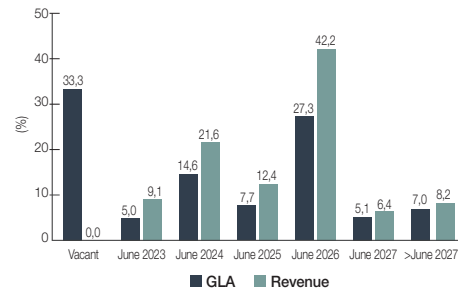
Excluding buildings held for sale as at 31 December 2022

	Six months ended 31 December 2022 GLA m <sup>2</sup>	12 months ended 30 June 2022 GLA m <sup>2</sup>	Six months ended 31 December 2021 GLA m <sup>2</sup>
Total vacancy	58 634	65 227	61 556
Properties held for sale	(30 745)	(32 821)	(32 913)
Core vacancy	27 889	32 406	28 653
Core GLA	142 104	142 400	172 178
Core vacancy (%)	19,6	22,3	16,6

Total vacant GLA at period-end was 58 634m<sup>2</sup> (June 2022: 65 227m<sup>2</sup>), which represents a decrease of 6 593m<sup>2</sup> during the six-month period. This amounts to a total vacancy of 33,3% (June 2022: 24,1%). The increase in the vacancy rate, despite the decrease in the vacant GLA, was driven by the disposal of properties with low vacancies in the current year. As a result, the vacant GLA makes up a larger proportion of the total GLA.

The directly held portfolio in SA comprises 28 properties (June 2022: 31 properties) measuring 175 828m<sup>2</sup> (June 2022: 246 948m<sup>2</sup>). 86,8% of our portfolio in SA consists of offices. Texton has been reconfiguring its office portfolio to adapt to the current headwinds facing SA, however, offices still face significant challenges and the reduction of vacancies will take time.

#### SA expiry profile



## Letting activity

New deals	December 2022		December 2021	
	GLA m <sup>2</sup>	Number of tenants	GLA m <sup>2</sup>	Number of tenants
Office	6 127	24	4 913	27
Retail	174	2	645	2
Industrial	3 987	3	564	6
<b>Total</b>	<b>10 288</b>	<b>29</b>	<b>8 122</b>	<b>35</b>

Despite the ongoing challenges that the SA economy has endured over the past six months, Texton has continued to lease space, especially in the office sector, to a number of new tenants looking for flexible, secure and safe space. During the six months under review, Texton was able to complete a pleasing 29 (December 2021: 35) new leases with a combined GLA of 10 288m<sup>2</sup> (December 2021: 8 122m<sup>2</sup>).

## Retention

Sector	Expiring GLA m <sup>2</sup>	Renewed GLA m <sup>2</sup>	Retention %	Reversion on retained GLA %
Office	3 986	3 633	91,1	(3,2)
Retail	1 661	1 661	100,0	(1,0)
Industrial	10 646	6 989	65,6	(0,0)
<b>Total</b>	<b>16 293</b>	<b>12 283</b>	<b>75,4</b>	<b>(4,7)</b>

Despite Texton continuing to offer more flexible leasing terms in terms of our SME strategy, our weighted average lease expiry ("WALE") has remained resilient at 2,82 years compared to 2,92 years as at 30 June 2022.

## Rental collections

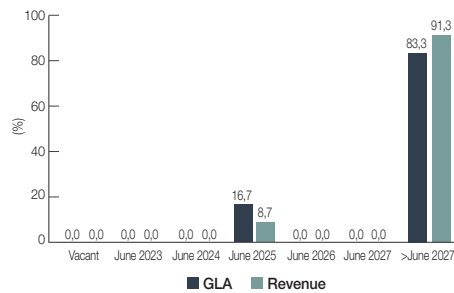
Texton's rental collections have continued to remain robust over the period under review. Rental collections across the portfolio were 98,3% for the six months ended 30 December 2022 (December 2021: 93,5%).

## United Kingdom

### The UK portfolio sectoral profile

Sector	December 2022		December 2021	
	GLA m <sup>2</sup>	Value %	GLA m <sup>2</sup>	Value %
Retail	1 789	11,1	1 789	11,1
Industrial	21 989	88,9	21 989	88,9
	<b>23 778</b>	<b>100,0</b>	23 778	100,0

### UK expiry profile



### Overview and market background

The UK economy continues to face stubbornly high inflation, which has outpaced wage growth and has deepened the cost of living crisis facing its citizens. The Bank of England has responded by increasing interest rates sharply to 4,0% from a pandemic low of 0,1%. The Bank of England expected gross domestic product to grow by 0,1% in the final three months of the calendar year ended 31 December 2022, to keep the UK out of a technical recession, after the economy contracted by 0,3% in the previous three months.

### 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.

## 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 period under review, 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	12 500	–	13 014	224 542
SREIT	12 000	–	12 218	216 637
Cadre	5 000	3 064	1 931	32 870
PadSplit	2 500	–	2 500	42 557
GIM Investments	5 500	5 500	–	–
<b>Total</b>	<b>37 500</b>	<b>8 564</b>	<b>29 668</b>	<b>516 606</b>

	Commitment £'000	Undrawn commitment £'000	Market value £'000	Market value R'000
UK logistics fund	2 650	1 555	1 095	21 856

**CAPITAL MANAGEMENT**

A key pillar of our business is maintaining a strong and flexible balance sheet. We have been able to further strengthen our balance sheet over the period under review 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.

**Recycling of capital****Asset disposal**

Texton had five properties accounted for as held for sale on 30 June 2022. Three properties were sold in the current financial year for a total of R395 million. These funds were used to reduce debt related to the assets, and equity released from the sale is being used to deploy capital in our stated international investment opportunities.

The table below provides further details on the asset sales and the properties held for sale in SA.

*Asset sales*

	Location of property			R'000
	South Africa	United Kingdom	Number of properties	
Balance as at 30 June 2022	5	–	5	464 900
Sold	(3)	–	(3)	(395 086)
Properties added to the asset disposal programme	1	–	1	25 000
<b>Balance as at 31 December 2022</b>	<b>3</b>	<b>–</b>	<b>3</b>	<b>91 814</b>

**Group borrowings**

Texton has continued to pay down the debt on its balance sheet. In the period under review, Texton reduced its debt by R319 million, of which R186,7 million is a permanent reduction in debt.

Total debt outstanding as at 31 December 2022 amounted to R1,0 billion (June 2022: R1,3 billion).

*Debt profile*

	December 2022			December 2021		
	ZAR facilities Rm	GBP facilities £m	Total facilities Rm	ZAR facilities Rm	GBP facilities £m	Total facilities Rm
Total debt facilities	<b>950,3</b>	<b>12,5</b>	<b>1 210,6</b>	1 139,5	12,5	1 387,9
Total debt drawn	<b>780,6</b>	<b>12,5</b>	<b>1 038,4</b>	1 095,2	12,5	1 343,6
Net debt <sup>2</sup>	<b>739,0</b>	<b>1,0</b>	<b>759,5</b>	1 069,0	7,7	1 221,4
Subject to fix rates	<b>200,0</b>	<b>10,2</b>	<b>406,2</b>	200,0	10,2	402,5
% hedged on net debt	<b>25,6</b>	<b>1 001,9</b>	<b>53,4</b>	18,7	132,5	33,0
% effective interest rate	<b>9,08</b>	<b>3,06</b>	<b>7,80</b>	7,44	2,71	6,59

<sup>2</sup> Net debt is defined as debt less cash and cash equivalents.

*Loan and swap expiry profile (31 December 2022)*

	2023	2024	2025	2026	2027	Total
<b>South Africa</b>						
Loan expiry profile (Rm)	156,6	624,0	–	–	–	780,6
Hedging swap profile (Rm)	200,0	–	–	–	–	200,0
Loan expiry profile (%)	20,6	79,4	–	–	–	100,0
Hedging swap profile (%)	100,0	–	–	–	–	100,0
<b>United Kingdom</b>						
Loan expiry profile (£'000)	–	–	12 517	–	–	12 517
Hedging profile (£'000)	10 200	–	–	–	–	10 200
Loan expiry profile (%)	–	–	100,0	–	–	100,0
Hedging swap profile (%)	100,0	–	–	–	–	100,0
<b>Group</b>						
Loan expiry profile (Rm)	156,6	624,0	253,0	–	–	1 033,6
Hedging profile (Rm)	406,2	–	–	–	–	406,2
Loan expiry profile (%)	15,2	60,4	24,4	–	–	100,0
Hedging swap profile (%)	100,0	–	–	–	–	100,0

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

We are very grateful for the support that Standard Bank and our other funders have shown to Texton over the years.

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

**NAV PER SHARE**

	December 2022 R'000	June 2022 R'000	December 2021 R'000
<b>NAV</b>			
Reported NAV attributable to the Parent	<b>1 990 383</b>	1 964 371	2 031 989
<b>Adjustments:</b>			
Dividend to be declared	–	(23 413)	(34 110)
Fair value of certain derivative financial instruments	<b>(3 630)</b>	(1 532)	7 716
Deferred tax	<b>35 887</b>	24 833	18 208
<b>Total equity</b>	<b>2 022 640</b>	1 964 259	2 023 813
<b>Shares outstanding</b>			
Number of shares in issue at period-end (net of treasury shares) ('000)	<b>331 848</b>	334 470	341 096
NAV per share (cents)	<b>609,51</b>	587,28	593,32

NAV per share has increased over the period to R6,09 from R5,88, representing an increase of 3,57%.

**CURRENCY**

The closing exchange rate on 31 December 2022 was R20,59:£1 (December 2021: R21,59:£1), and the average exchange rate for the period was R20,36:£1 (December 2021: R20,64:£1). The closing exchange rate as at 31 December 2022 for the USD investments was R17,02:\$1 (December 2021: R15,95:\$1), and the average rate for the period was R17,33:\$1 (December 2021: R15,03:\$1).

**STATED CAPITAL AND SHARES REPURCHASED**

Texton continues to repurchase its shares in the open market and will do so in terms of the authority that was provided by shareholders at our AGM on 30 November 2022. The Group holds treasury shares via Discus House, a subsidiary of Texton. Discus House purchased 685 182 shares during the period under review, bringing the total amount of shares held by Discus House to 31 853 013 shares (June 2022: 31 167 831). The number of issued shares (excluding treasury shares) as at 31 December 2022 is 331 848 090.

**TRANSFORMATION AND B-BBEE**

Texton is committed to the country's B-BBEE policies and put various transformation policies in place in the current year to maintain the Company's B-BBEE rating of Level 4. The Company continues to review its initiatives and strategies to find meaningful ways in which to improve its local socio-economic development.

**EVENTS AFTER THE REPORTING DATE**

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

**PROSPECTS AND OUTLOOK**

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 allocation approach of:

- Deploying capital into our existing SA direct property investments to reposition and repurpose these assets in line with our SME strategy; and
- 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 has unfortunately remained very challenging, and the increased load shedding hours that the country is experiencing provides significant risk to the country's social and economic fabric. Nonetheless, Texton has continued to invest in its office portfolio by making its assets attractive to SME tenants by repurposing large office spaces left vacant by corporates and 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.

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.

**WE ARE HIGHLY  
DISCIPLINED IN  
OUR CAPITAL  
ALLOCATION  
TO CREATE  
SUSTAINABLE  
RISK-ADJUSTED  
RETURNS FOR OUR  
SHAREHOLDERS**



*Katherine Street  
Office Park*



# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2022

	Unaudited 31 December 2022 R'000	Unaudited 31 December 2021 R'000	Audited 30 June 2022 R'000
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>2 713 727</b>	2 437 265	2 784 172
Investment property	2 111 405	2 025 763	2 120 715
Property and equipment	11 512	8 404	8 854
Tenant installation	10 196	17 356	13 943
Investment in joint venture	518	172 100	137 426
Lease commissions	5 381	7 506	7 430
Other receivables	36 253	16 971	10 742
Unlisted investments	538 462	189 165	485 062
<b>Current assets</b>	<b>314 996</b>	398 445	161 077
Trade and other receivables	31 195	38 039	35 557
Income tax receivable	4 898	17 553	3 242
Cash and cash equivalents	278 903	342 853	122 278
Investment property held for sale	94 814	594 615	464 900
<b>Total assets</b>	<b>3 123 537</b>	3 430 325	3 410 149
<b>EQUITY AND LIABILITIES</b>			
<b>Total equity</b>	<b>1 990 383</b>	2 031 990	1 964 371
Stated capital	2 787 136	2 819 704	2 795 822
Accumulated loss	(681 105)	(698 011)	(680 014)
Share-based payment reserve	539	219	407
Foreign currency translation reserve	(116 187)	(89 922)	(151 844)
<b>Non-current liabilities</b>	<b>913 233</b>	1 297 429	1 147 237
External loans and derivative financial instruments	877 346	1 276 100	1 119 443
Deferred tax	35 887	18 208	24 833
Lease liability	–	3 121	2 961
<b>Current liabilities</b>	<b>219 921</b>	100 906	298 541
Short-term portion of external loans and derivative financial instruments	157 665	24 445	225 559
Trade and other payables	54 528	72 464	59 928
Income tax payable	7 728	3 997	13 054
<b>Total equity and liabilities</b>	<b>3 123 537</b>	3 430 325	3 410 149

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 31 December 2022

	Unaudited six months ended 31 December 2022 R'000	Unaudited six months ended 31 December 2021 R'000	Audited 12 months ended 30 June 2022 R'000
<b>Property revenue</b>	<b>163 791</b>	172 547	333 206
Investment property income	159 838	172 070	336 358
Straight-line rental adjustment	3 953	477	(3 152)
Impairment losses recognised/(recognised) on tenant debtors	2 383	(112)	(645)
Direct property costs	(68 501)	(75 722)	(144 056)
<b>Net property income</b>	<b>97 673</b>	96 713	188 505
Investment revenue	10 411	2 341	10 247
Administrative expenses	(19 489)	(19 392)	(37 405)
Expenses incurred for corporate transactions	–	–	(2 875)
Profit/(loss) from joint venture	–	6 675	(32 879)
Foreign exchange gains/(losses)	1 445	(1 608)	880
<b>Operating profit</b>	<b>90 040</b>	84 729	126 473
Finance income	3 596	9 681	10 588
Finance costs	(49 382)	(47 555)	(93 755)
Fair value adjustments	(10 089)	(61 392)	4 432
Impairment reversal/(impairment)	82	(2 847)	–
<b>Profit/(loss) before taxation</b>	<b>34 247</b>	(17 384)	47 738
Taxation (expense)/income	(12 078)	3 480	(9 683)
<b>Profit/(loss) for the period</b>	<b>22 169</b>	(13 904)	38 055
<b>Other comprehensive income/(loss):</b>			
Items that may be classified to profit or loss			
Exchange differences on translating foreign operations	35 657	63 266	1 344
<b>Other comprehensive income for the period, net of taxation</b>	<b>35 657</b>	63 266	1 344
<b>Total comprehensive income for the period</b>	<b>57 826</b>	49 362	39 399
<b>Profit attributable to:</b>			
Shareholders of the Company	57 826	49 362	39 399
<b>Earnings per share</b>			
Basic and diluted earnings/(loss) per share (cents)	6,69	(4,06)	11,19
Headline earnings per share (cents)	11,05	15,43	30,49

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 31 December 2022

	Unaudited six months ended 31 December 2022 R'000	Unaudited six months ended 31 December 2021 R'000	Audited 12 months ended 30 June 2022 R'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	74 279	67 979	144 640
Interest received	3 596	13 511	1 842
Interest paid	(47 062)	(51 271)	(85 553)
Dividends received	9 586	–	–
Dividends paid	(23 260)	(128 000)	(161 969)
Taxation (paid)/refunded	(9 422)	–	17 418
<b>Net cash inflow/(outflow) from operating activities</b>	<b>7 717</b>	<b>(97 781)</b>	<b>(83 622)</b>
<b>Cash flows from investing activities</b>			
Additions to investment properties	(2 721)	(20 194)	(32 170)
Additions to plant and equipment	(3 734)	(1 878)	(3 322)
Proceeds on disposal of investment properties held for sale	133 001	398 395	400 110
Repayment of loan to Inception (Reading) S.a.r.l	136 908	1 963	1 963
Commission paid	(1 465)	(863)	(2 648)
Funds received on escrow	4 665	466	840
Investments in unlisted equity investments	(31 438)	(175 767)	(442 263)
Tenant installation incurred	(664)	(9 890)	(10 225)
<b>Net cash inflow/(outflow) from investing activities</b>	<b>234 552</b>	<b>192 232</b>	<b>(87 715)</b>
<b>Cash flows from financing activities</b>			
Treasury shares acquired	(2 408)	(9 517)	(33 399)
Proceeds from external loans and derivative financial instruments	55 000	130 000	254 268
Settlement of cross-currency swap	–	–	(1 751)
Repayments of external loans and derivative financial instruments	(142 873)	(257 880)	(288 619)
Debt structuring fees paid	(6 278)	(417)	(2 728)
Lease liability payment	(112)	(242)	(478)
<b>Net cash outflow from financing activities</b>	<b>(96 671)</b>	<b>(138 056)</b>	<b>(72 707)</b>
<b>Net cash inflow/(outflow) for the period</b>	<b>145 597</b>	<b>(43 605)</b>	<b>(244 043)</b>
<b>Effects of movements in exchange rate changes on cash held</b>	<b>11 028</b>	<b>26 373</b>	<b>6 236</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>122 278</b>	<b>360 085</b>	<b>360 085</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>278 903</b>	<b>342 853</b>	<b>122 278</b>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 December 2022

	Stated capital R'000	Foreign currency translation reserve R'000	Share- based payment reserve R'000	Accu- mulated loss R'000	Total R'000
<b>Balance at 1 July 2021</b>	2 829 221	(153 188)	145	(556 100)	2 120 078
<b>Total comprehensive income for the period</b>	–	63 266	–	(13 904)	49 362
Profit for the period	–	–	–	(13 904)	(13 904)
Exchange differences on translation of foreign operations	–	63 266	–	–	63 266
<b>Total transactions with shareholders recorded directly in equity</b>	(9 517)	–	–	(128 008)	(137 525)
Dividends paid	–	–	–	(128 008)	(128 008)
Treasury shares acquired	(9 517)	–	–	–	(9 517)
Share-based payment transactions	–	–	74	–	74
<b>Balance at 31 December 2021</b>	<b>2 819 704</b>	<b>(89 922)</b>	<b>219</b>	<b>(698 012)</b>	<b>2 031 989</b>
<b>Total comprehensive income for the period</b>	–	(61 922)	–	51 959	(9 963)
Profit for the period	–	–	–	51 959	51 959
Exchange differences on translation of foreign operations	–	(61 922)	–	–	(61 922)
<b>Transactions with shareholders, recognised directly in equity</b>	<b>(23 882)</b>	–	–	<b>(33 961)</b>	<b>(57 843)</b>
Dividends paid	–	–	–	(33 961)	(33 961)
Treasury shares acquired	(23 882)	–	–	–	(23 882)
Share-based payment transactions	–	–	188	–	188
<b>Balance at 30 June 2022</b>	<b>2 795 822</b>	<b>(151 844)</b>	<b>407</b>	<b>(680 014)</b>	<b>1 964 371</b>
<b>Total comprehensive income for the period</b>	–	35 657	–	22 169	57 826
Profit for the period	–	–	–	22 169	22 169
Exchange differences on translation of foreign operations	–	35 657	–	–	35 657
<b>Transactions with shareholders, recognised directly in equity</b>	<b>(8 686)</b>	–	–	<b>(23 260)</b>	<b>(31 946)</b>
Shares cancelled	(6 278)	–	–	–	(6 278)
Treasury shares acquired	(2 408)	–	–	–	(2 408)
Dividends paid	–	–	–	(23 260)	(23 260)
Movement in share-based payments	–	–	132	–	132
<b>Balance at 31 December 2022</b>	<b>2 787 136</b>	<b>(116 187)</b>	<b>539</b>	<b>(681 105)</b>	<b>1 990 383</b>

# NOTES TO THE CONDENSED CONSOLIDATED UNAUDITED RESULTS

## 1. BASIS OF PREPARATION

The condensed consolidated unaudited interim financial statements are prepared in accordance with the requirements of the JSE Listings Requirements, the requirements of the Companies Act of South Africa (Act 71 of 2008), the measurement and recognition requirements of International Financial Reporting Standards ("IFRS"), and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34: *Interim Financial Reporting*. These do not include all of the information required in annual financial statements in accordance with IFRS and should be read in conjunction with the consolidated financial statements for the year ended 30 June 2022.

The accounting policies applied in the preparation of the condensed consolidated unaudited interim financial statements are in terms of IFRS and are consistent with those applied in the previous audited consolidated annual financial statements. None of the new standards, interpretations and amendments effective as of 1 July 2022 have had a material impact on the condensed consolidated unaudited interim financial statements.

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

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

## 2. SIGNIFICANT JUDGEMENT

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

## 3. INVESTMENT PROPERTY

	Unaudited six months ended 31 December 2022 R'000	Unaudited six months ended 31 December 2021 R'000	Audited 12 months ended 30 June 2022 R'000
<b>Reconciliation of movement in investment property for the period</b>			
Balance at the beginning of the period	2 120 715	2 501 365	2 501 365
Additions	2 721	20 194	31 204
Straight-line rental adjustment	5 036	477	(3 152)
Fair value adjustments	(10 130)	(16 892)	(40 255)
Transfer to investment property held for sale	(24 927)	(521 000)	(370 992)
Loss on disposal	731	–	–
Foreign currency translation reserve	17 259	41 619	2 545
<b>Balance at the end of the period</b>	<b>2 111 405</b>	<b>2 025 763</b>	<b>2 120 715</b>

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, the traditional discounted cash flow method of valuation has been used. At year-end, the determination of property valuations was performed by both internal and external valuers to determine the fair value. In the preparation of the condensed consolidated unaudited interim financial statements, prepared in accordance with IAS 34, the valuations were prepared internally and reviewed by the directors.

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

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

Texton has no unencumbered property.

# NOTES TO THE CONDENSED CONSOLIDATED UNAUDITED 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 includes future growth in revenue, exit capitalisation rates and discount rates. These are further explained below:

	Unaudited six months ended 31 December 2022 %	Unaudited six months ended 31 December 2021 %	Audited 12 months ended 30 June 2022 %
Discount rates used are included below:			
<b>Sector</b>			
Office	13,55 – 16,80	15,25 – 16,75	13,55 – 16,80
Industrial	15,20	16,00	16,00
Retail	14,25	14,75 – 15,25	14,75
Exit capitalisation rates for year five are included below:			
<b>Sector</b>			
Office	9,80 – 12,55	9,75–12,00	9,80 – 12,55
Industrial	11,20	11,00	10,70
Retail	10,00	10,0 – 10,75	10,00
The future revenue growth for the five-year projection is included below:			
<b>Sector</b>			
Office	5,00 – 8,00	4,00 – 5,00	4,00 – 6,00
Industrial	5,00	5,00	6,00
Retail	5,00 – 8,00	5,0 – 8,0	6,11

#### Sensitivity analysis to significant unobservable inputs

	Unaudited six months ended 31 December 2022 R'000	Unaudited six months ended 31 December 2021 R'000	Audited 12 months ended 30 June 2022 R'000
<b>Sensitivity analysis to exit capitalisation rates</b>			
Exit capitalisation rate increases by 1%	(84 229)	(115 237)	(86 135)
Exit capitalisation rate decreases by 1%	102 501	115 928	108 035
<b>Sensitivity analysis to discount rates</b>			
Discount rate increases by 1%	(44 016)	(59 075)	(57 079)
Discount rate decreases by 1%	46 458	63 258	61 449
<b>Sensitivity analysis to market rentals</b>			
Market rental decreases by 1%	(14 680)	(14 793)	(15 905)
Market rental increases by 1%	14 880	15 671	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

	Unaudited six months ended 31 December 2022 %	Unaudited six months ended 31 December 2021 %	Audited 12 months ended 30 June 2022 %
Equivalent yields used are included below:			
<b>Sector</b>			
Industrial	5,15 – 6,5	5,25 – 6,49	5,18 – 6,5
Retail	8,4	8,8	8,4
Annual market rentals per square foot used are included below, rounded to the nearest 1 000:			
<b>Sector</b>			
Industrial	41,3 – 59,7	36,9 – 58,7	41,3 – 59,7
Retail	6,4 – 21,7	39,0 – 40,6	6,4 – 21,7

NOTES TO THE CONDENSED CONSOLIDATED  
UNAUDITED RESULTS continued

**3. INVESTMENT PROPERTY** continued

**UK valuations** continued

Sensitivity analysis to significant unobservable inputs

	Unaudited six months ended 31 December 2022 R'000	Unaudited six months ended 31 December 2021 R'000	Audited 12 months ended 30 June 2022 R'000
<b>Sensitivity analysis to equivalent yields</b>			
Equivalent yield increases by 1%	(75 890)	(71 566)	(73 162)
Equivalent yield decreases by 1%	110 150	102 438	106 220
<b>Sensitivity analysis to market rentals</b>			
Market rental decreases by 1%	(3 398)	(2 806)	(3 276)
Market rental increases by 1%	3 502	3 022	3 375

**4. INVESTMENT IN JOINT VENTURE**

	Unaudited six months ended 31 December 2022 R'000	Unaudited six months ended 31 December 2021 R'000	Audited 12 months ended 30 June 2022 R'000
Balance at the beginning of the year	137 426	167 388	167 388
Current period profit/(loss) from joint venture	–	6 675	(24 949)
Funds (received from)/advanced to joint venture	(136 908)	(1 963)	1 963
Impairments	–	–	(6 976)
<b>Balance at the end of the period</b>	<b>518</b>	<b>172 100</b>	<b>137 426</b>

Texton has a 50% (June 2022: 50%) interest in Broad Street Mall and Texton exercises joint control over the investment. This interest is accounted for using the equity method of accounting. The company's principal place of business is in the UK and the company is incorporated in Luxembourg. Broad Street Mall was successfully sold on 24 June 2022 and the joint venture entity is currently in the process of being liquidated.

**5. FAIR VALUE ADJUSTMENTS**

	Unaudited six months ended 31 December 2022 R'000	Unaudited six months ended 31 December 2021 R'000	Audited 12 months ended 30 June 2022 R'000
Interest rate swap	1 849	7 130	9 179
Foreign exchange contract	–	(7 143)	–
Cross-currency interest rate swap	–	94	94
Investment property classified as held for sale	1 084	(48 200)	(16 385)
Investment property	(12 802)	(16 892)	(40 255)
Loss on disposal of property	(2 742)	(1 633)	(1 024)
Unlisted investments	2 521	5 252	52 823
<b>Fair value (loss)/gain for the period under review</b>	<b>(10 089)</b>	<b>(61 392)</b>	<b>4 432</b>

**6. EXTERNAL LOANS AND DERIVATIVE FINANCIAL INSTRUMENTS**

	Unaudited six months ended 31 December 2022 R'000	Unaudited six months ended 31 December 2021 R'000	Audited 12 months ended 30 June 2022 R'000
Balance at the beginning of the period	1 345 002	1 407 610	1 407 610
– non-current	1 119 443	1 350 137	1 350 137
– current	225 559	57 473	57 473
Advances during the period	55 000	130 000	254 268
Repayments during the period	(374 960)	(257 800)	(310 546)
Foreign currency translation reserve movements	9 453	27 186	(3 302)
Unrealised foreign exchange movements	–	–	(8 273)
Fair value on interest rate swaps	(1 850)	(7 130)	9 178
Structuring fees amortised during the period	1 522	3 139	(5 005)
Debt structuring fees paid	–	(416)	(2 728)
Interest accrual	844	(1 870)	3 800
Fair value on cross-currency interest rate swap	–	(94)	–
Closing balance at the end of the period	1 035 011	1 300 545	1 345 002
– non-current	877 346	1 276 100	1 119 443
– current	157 665	24 445	225 559

# NOTES TO THE CONDENSED CONSOLIDATED UNAUDITED RESULTS continued

## 6. EXTERNAL LOANS AND DERIVATIVE FINANCIAL INSTRUMENTS continued

### Bank covenants as at 31 December 2022

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

- LTV ratio for the Group may not exceed 50%
- Group interest cover of a minimum of 2,0 times cover
- LTV ratio for the Standard Bank facility may not exceed 55%
- ICR for the facility of a minimum of 2,2 times cover
- Texton did not meet the ICR at the facility level, however this covenant breach was condoned by Standard Bank. The loan covenants for the loan facilities are being renegotiated as part of the new finance facilities that have been arranged with Standard Bank. All the remaining covenants applicable to Standard Bank are currently met by Texton.

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

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

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

- LTV ratio for the HSBC facilities may not exceed 60%
- Historical ICR for the facility must be a minimum of 1,75 times cover
- Projected ICR for the facility must be a minimum of 2,0 times cover
- Projected and historical debt service cover ratios must be a minimum of 1,75 cover
- All covenants applicable to HSBC Plc are currently met by Texton.

## 7. INVESTMENT PROPERTY HELD FOR SALE

	Unaudited six months ended 31 December 2022 R'000	Unaudited six months ended 31 December 2021 R'000	Audited 12 months ended 30 June 2022 R'000
Balance at the beginning of the period	464 900	505 663	505 664
Transferred from investment property	24 927	521 000	370 992
Transfer from letting commission	73	–	–
Disposals	(394 747)	(398 395)	(410 458)
Changes in fair value	1 084	(48 199)	(16 385)
Straight-lining adjustment	(1 084)	–	–
Loss on disposal on sale of property	(339)	(1 634)	(838)
Foreign currency translation reserve	–	16 180	15 925
<b>Balance at the end of the period</b>	<b>94 814</b>	<b>594 615</b>	<b>464 900</b>

## 8. FINANCIAL INSTRUMENTS

	Fair value through profit or loss		
	Unaudited six months ended 31 December 2022 R'000	Unaudited six months ended 31 December 2021 R'000	Audited 12 months ended 30 June 2022 R'000
<b>Financial assets</b>			
Investment in joint venture	518	172 100	137 426
External loans and derivative financial instruments	3 630	–	1 532
Unlisted investments	538 462	189 165	485 062
<b>Financial assets</b>	<b>542 610</b>	<b>361 265</b>	<b>624 020</b>
<b>Financial liabilities</b>			
External loans and derivative financial instruments	–	7 716	–
<b>Financial liabilities</b>	<b>–</b>	<b>7 716</b>	<b>–</b>

	Amortised cost		
	Unaudited six months ended 31 December 2022 R'000	Unaudited six months ended 31 December 2021 R'000	Audited 12 months ended 30 June 2022 R'000
<b>Financial assets</b>			
Other receivables	36 253	16 971	10 742
Trade and other receivables	32 095	43 386	38 350
Cash	278 903	342 853	122 278
<b>Financial assets</b>	<b>347 251</b>	<b>403 210</b>	<b>171 370</b>
<b>Financial liabilities</b>			
External loans and derivative financial instruments	1 031 381	1 292 829	1 345 000
Trade and other payables	33 119	48 874	42 431
<b>Financial liabilities</b>	<b>1 064 500</b>	<b>1 341 703</b>	<b>1 387 431</b>

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 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 2022.

# NOTES TO THE CONDENSED CONSOLIDATED UNAUDITED RESULTS continued

## 9. FAIR VALUE HIERARCHY

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

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

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

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

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

	Carrying value			
	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
<b>31 December 2022</b>				
<b>Assets</b>				
Investment properties	–	–	2 111 405	2 111 405
Investment properties held for sale	–	–	94 814	94 814
Interest rate swap	–	(3 630)	–	(3 630)
Investment in joint venture	–	–	518	518
Unlisted investments	–	441 179	97 283	538 462
<b>31 December 2021</b>				
<b>Assets</b>				
Investment properties	–	–	2 025 763	2 025 763
Investment properties held for sale	–	–	594 615	594 615
Investment in joint venture	–	–	172 100	172 100
Unlisted investments	–	189 195	–	189 195
<b>Liabilities</b>				
Interest rate swap	–	(7 716)	–	(7 716)
<b>30 June 2022</b>				
<b>Assets</b>				
Investment properties	–	–	2 120 715	2 120 715
Investment properties held for sale	–	–	464 900	464 900
Interest rate swap	–	1 532	–	1 532
Investment in joint venture	–	–	137 426	137 426
Unlisted investments	–	421 591	63 471	485 062

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, <i>inter alia</i> , 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 underlying NAV of the underlying REIT being The Blackstone Real Estate Income Trust Inc, a private unlisted REIT. The Bank of New York Mellon, as the administrator of the company, calculates the NAV of each class of shares.	Not applicable	Not applicable
Investments: Interest in Starwood Real Estate Income Trust Offshore Fund SPC	The fair value of the investment is determined with reference to the underlying NAV of the underlying REIT being The Starwood Real Estate Income Trust Inc, a private unlisted REIT. SS&C Technologies Inc, as the administrator of the company, calculates the NAV of each class of shares.	Not applicable	Not applicable

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

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurements
Investment properties	Refer to note 3	Refer to note 3	Refer to note 3
Unlisted investments	Unlisted investments include investments in Cadre, Greenpoint and PadSplit. The valuations of these investments are provided by the sponsors of the investments. The sponsors are independent of Texton and provide these valuations as part of the capital account reconciliation.	Not applicable	Not applicable
Investment in joint venture	The value of the investment is based on the net asset value of the entity, which is now determined by the amount of cash equivalents left in the entity as the property has been sold.	Not applicable	Not applicable

# NOTES TO THE CONDENSED CONSOLIDATED UNAUDITED RESULTS continued

## 10. EVENTS AFTER THE REPORTING DATE

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

## 11. DIVIDENDS PAID

	Unaudited six months ended 31 December 2022 R'000	Unaudited six months ended 31 December 2021 R'000	Audited 12 months ended 30 June 2022 R'000
Dividends paid	23 260	23 260	161 969

Dividends are paid from income reserves.

## 12. SEGMENT REPORTING

Texton has three reportable segments. These are: direct property – SA, direct property – UK and international property investments.

	South Africa		
	Unaudited six months ended 31 December 2022 R'000	Unaudited six months ended 31 December 2021 R'000	Audited 12 months ended 30 June 2022 R'000
<b>Segmental revenue – rental revenue</b>			
Office	109 220	103 510	197 737
Retail	21 760	32 868	65 645
Industrial	17 785	16 926	34 891
	<b>148 765</b>	153 304	298 273
<b>Profit before tax</b>			
Office	52 135	(10 584)	8 878
Retail	8 944	15 437	58 753
Industrial	8 329	7 091	18 927
Corporate	(55 954)	(46 310)	(103 966)
	<b>13 454</b>	(34 366)	(17 408)
<b>Total assets</b>			
Office	1 620 017	1 654 612	1 608 530
Retail	171 538	379 586	401 201
Industrial	66 331	197 873	199 953
Corporate	(521)	28 549	(371)
	<b>1 857 365</b>	2 260 620	2 209 313
<b>Total liabilities</b>			
Office	29 414	36 855	28 903
Retail	9 015	18 962	12 025
Industrial	8 307	14 998	9 467
Corporate	792 188	1 097 479	1 118 997
	<b>838 924</b>	1 168 294	1 169 392

NOTES TO THE CONDENSED CONSOLIDATED  
UNAUDITED RESULTS continued

12. SEGMENT REPORTING continued

	United Kingdom		
	Unaudited six months ended 31 December 2022 R'000	Unaudited six months ended 31 December 2021 R'000	Audited 12 months ended 30 June 2022 R'000
<b>Segmental revenue – rental revenue</b>			
Office	–	3 074	3 087
Retail	2 387	3 674	5 692
Industrial	12 639	12 495	26 154
	<b>15 026</b>	19 243	34 933
<b>Profit before tax</b>			
Office	–	2 077	2 012
Retail	2 301	6 717	(27 874)
Industrial	11 954	10 021	37 516
Corporate	(7 014)	(1 833)	(6 061)
	<b>7 241</b>	16 982	5 593
<b>Total assets</b>			
Office	30	79 113	2 584
Retail	62 220	278 854	195 863
Industrial	467 407	515 600	463 334
Corporate	198 053	296 338	53 251
	<b>727 710</b>	1 169 905	715 032
<b>Total liabilities</b>			
Office	–	(2 552)	–
Retail	3 322	23 220	2 853
Industrial	28 091	207 741	263 147
Corporate	262 822	1 633	10 386
	<b>294 235</b>	230 042	276 386

	Investments		
	Unaudited six months ended 31 December 2022 R'000	Unaudited six months ended 31 December 2021 R'000	Audited 12 months ended 30 June 2022 R'000
<b>Segmental revenue – rental revenue</b>			
Office	–	–	–
Retail	–	–	–
Industrial	–	–	–
	–	–	–
<b>Profit before tax</b>			
Office	–	–	–
Retail	–	–	–
Industrial	–	–	–
Corporate	13 552	–	59 553
	<b>13 552</b>	–	59 553
<b>Total assets</b>			
Office	–	–	–
Retail	–	–	–
Industrial	–	–	–
Corporate	–	–	–
Investments	538 462	–	485 062
	<b>538 462</b>	–	485 062
<b>Total liabilities</b>			
Office	–	–	–
Retail	–	–	–
Industrial	–	–	–
Corporate	–	–	–
	–	–	–

NOTES TO THE CONDENSED CONSOLIDATED  
UNAUDITED RESULTS continued

12. SEGMENT REPORTING continued

	Total		
	Unaudited six months ended 31 December 2022 R'000	Unaudited six months ended 31 December 2021 R'000	Audited 12 months ended 30 June 2022 R'000
<b>Segmental revenue – rental revenue</b>			
Office	109 220	106 584	200 824
Retail	24 147	36 542	71 337
Industrial	30 424	29 421	61 045
	<b>163 791</b>	172 547	333 206
<b>Profit before tax</b>			
Office	52 135	(8 507)	10 890
Retail	11 245	22 154	30 879
Industrial	20 283	17 112	56 443
Corporate	(49 416)	(48 143)	(50 474)
	<b>34 247</b>	(17 384)	47 738
<b>Total assets</b>			
Office	1 620 047	1 733 725	1 611 114
Retail	233 758	658 440	597 064
Industrial	533 738	713 473	663 287
Corporate	197 532	324 687	53 622
Investments	538 462	–	485 062
	<b>3 123 537</b>	3 430 325	3 410 149
<b>Total liabilities</b>			
Office	29 414	34 302	28 903
Retail	12 337	42 182	14 878
Industrial	36 398	222 739	272 614
Corporate	1 055 010	1 099 112	1 129 383
	<b>1 133 159</b>	1 398 335	1 445 778

13. HEADLINE EARNINGS

	Unaudited six months ended 31 December 2022 R'000	Unaudited six months ended 31 December 2021 R'000	Audited 12 months ended 30 June 2022 R'000
<b>Headline earnings attributable to shareholders</b>			
Profit/(loss) attributable to shareholders	22 169	(13 904)	38 055
Gross revaluation of investment property	12 802	16 892	40 255
Gross revaluation of investment property held for sale	(1 084)	48 199	16 385
Impairment of joint venture	–	–	7 929
Loss on sale of property held for sale	2 742	1 633	1 024
<b>Headline earnings attributable to shareholders</b>	<b>36 629</b>	52 820	103 648
Weighted number of shares	331 339	342 213	339 953
Shares in issue	363 701	365 638	365 638
Treasury shares	31 853	24 542	31 168
<b>Profit/(loss) per share</b>			
Basic and diluted earnings/(loss) per share (cents)*	6,69	(4,06)	11,19
Headline and diluted headline earnings per share*	11,05	15,43	30,49

\* The conditional shares granted of 543 387 have a dilutive effect on earnings and headline earnings per share however the effect is immaterial.

14. SUMMARY OF FINANCIAL PERFORMANCE

	Unaudited six months ended 31 December 2022 R'000	Unaudited six months ended 31 December 2021 R'000	Audited 12 months ended 30 June 2022 R'000
Shares in issue and used for dividend calculation ('000)	331 848	341 096	334 470
Weighted average number of shares in issue ('000)	331 339	342 213	339 953
NAV per share (cents)	609,51	603,32	587
Basic and diluted profit/(loss) per share (cents)	6,69	(4,06)	11,19
Headline and diluted earnings per share (cents)	11,05	15,43	30,47
Share price (cents)	260	360	370
LTV ratio*	26,9	31,2	37,6
<b>Cost-to-income ratios</b>			
Gross property cost-to-income ratio (%)	41,4	44,1	42,6
Net property cost-to-income ratio (%)	24,0	30,5	28,4
Gross total cost-to-income ratio (%)	51,6	53,3	53,9
Net total cost-to-income ratio (%)	40,6	44,4	42,6

\* Calculated in line with 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

	Unaudited six months ended 31 December 2022 R'000	Unaudited six months ended 31 December 2021 R'000
<b>Profit or loss per income statement</b>	<b>22 169</b>	(13 904)
<b>Accounting/specific adjustments</b>	<b>20 999</b>	54 523
Fair value adjustments to:		
– Investment property	11 718	16 892
– Debt and equity instruments held at fair value through profit or loss	(1 718)	(5 333)
– Fair value gains on unlisted investments	(2 521)	48 200
Depreciation and amortisation of intangible assets	5 477	2 549
Asset impairments (excluding goodwill) and reversals of impairment	(82)	(3 828)
Deferred tax movement recognised in profit or loss	12 078	(3 480)
Straight-lining operating lease adjustment	(3 953)	(477)
<b>Adjustments arising from investing activities</b>	<b>2 742</b>	1 633
Gains or losses on disposal of:		
– Investment property held for sale	2 742	1 633
<b>Foreign exchange and hedging items</b>	<b>(1 445)</b>	–
Adjustments to amounts recognised in profit or loss relating to derivative financial instruments	(1 443)	–
Foreign exchange gains or losses relating to capital items – realised and unrealised	(2)	–
<b>SA REIT FFO</b>	<b>44 465</b>	42 252
Number of shares outstanding at the end of the period (net of treasury shares)	331 848	341 096
<b>SA REIT FFO cents per share</b>	<b>13,39</b>	12,39
Income available for distribution	–	–
<b>Number of shares outstanding used for dividends</b>	<b>–</b>	34 110
<b>Dividend per share (cents per share)</b>	<b>–</b>	10,00

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

	Unaudited six months ended 31 December 2022 R'000	Unaudited six months ended 31 December 2021 R'000
Reported NAV attributable to the Parent	1 990 383	2 031 989
Adjustments:		
Dividend to be declared	–	(34 110)
Fair value of certain derivative financial instruments	(3 630)	7 716
Deferred tax	35 887	18 208
<b>SA REIT NAV</b>	<b>2 022 640</b>	2 023 813
<b>Shares outstanding</b>		
Number of shares in issue at period-end (net of treasury shares)	331 848	341 096
<b>Dilutive number of shares in issue</b>	<b>331 848</b>	341 096
<b>SA REIT NAV per share (cents)</b>	<b>609,51</b>	593,32

### SA REIT COST-TO-INCOME RATIO

	Unaudited six months ended 31 December 2022 R'000	Unaudited six months ended 31 December 2021 R'000
<b>Expenses</b>		
Operating expenses per IFRS income statement (includes municipal expenses)	68 501	75 722
Administrative expenses per IFRS income statement	19 489	19 392
<b>Excludes:</b>		
Depreciation expense in relation to property, plant and equipment of an administrative nature and amortisation expense in respect of intangible assets	(5 477)	(2 549)
<b>Operating costs</b>	<b>82 513</b>	92 565
<b>Rental income</b>		
Contractual rental income per IFRS income statement (excluding straight-lining)	121 081	138 525
Utility and operating recoveries per IFRS income statement	38 752	33 545
<b>Gross rental income</b>	<b>159 838</b>	172 070
<b>SA REIT cost-to-income ratio (%)</b>	<b>51,6</b>	53,8

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

SA REIT ADMINISTRATIVE COST-TO-INCOME RATIO

	Unaudited six months ended 31 December 2022 R'000	Unaudited six months ended 31 December 2021 R'000
<b>Expenses</b>		
Administrative expenses per IFRS income statement	19 489	19 392
<b>Administrative costs</b>	<b>19 489</b>	19 392
<b>Rental income</b>		
Contractual rental income per IFRS income statement (excluding straight-lining)	121 086	138 525
Utility and operating recoveries per IFRS income statement	38 752	33 545
<b>Gross rental income</b>	<b>159 838</b>	172 070
<b>SA REIT administrative cost-to-income ratio (%)</b>	<b>12,2</b>	11,3

SA REIT GLA VACANCY RATE

	Unaudited six months ended 31 December 2022 m <sup>2</sup>	Unaudited six months ended 31 December 2021 m <sup>2</sup>
GLA of vacant space	58 494	61 567
GLA of total property portfolio	199 606	269 965
<b>SA REIT GLA vacancy rate (%)</b>	<b>29,3</b>	22,8

COST OF DEBT

	Unaudited six months ended 31 December 2022 %	Unaudited six months ended 31 December 2021 %
	<b>South Africa</b>	
<b>Variable interest rate borrowings</b>		
Floating reference rate plus weighted average margin	8,86	6,26
<b>Preadjusted weighted average cost of debt</b>	<b>8,86</b>	6,26
<b>Adjustments:</b>		
Impact of interest rate derivatives	0,22	0,91
<b>All-in weighted average cost of debt – ZAR</b>	<b>9,08</b>	7,17
	<b>United Kingdom</b>	
<b>Variable interest rate borrowings</b>		
Floating reference rate plus weighted average margin	4,98	2,16
<b>Preadjusted weighted average cost of debt</b>	<b>4,98</b>	2,16
<b>Adjustments:</b>		
Impact of interest rate derivatives	(1,92)	0,42
<b>All-in weighted average cost of debt – GBP</b>	<b>3,06</b>	2,58

### SA REIT LOAN-TO-VALUE (“SA REIT LTV”)

	Unaudited six months ended 31 December 2022 R'000	Unaudited six months ended 31 December 2021 R'000
Gross debt	1 035 011	1 300 545
<i>Less:</i>		
Cash and cash equivalents	(278 903)	(342 853)
<i>Add/less:</i>		
Derivative financial instruments	2 055	(7 716)
<b>Net debt</b>	<b>758 163</b>	949 976
Total assets – per statement of financial position	3 123 537	3 430 325
<i>Less:</i>		
Cash and cash equivalents	(278 903)	(342 853)
Trade and other receivables	(31 195)	(38 039)
<b>Carrying amount of property-related assets</b>	<b>2 813 439</b>	3 049 433
<b>SA REIT LTV (%)</b>	<b>26,9</b>	31,2

## CORPORATE INFORMATION

### TEXTON PROPERTY FUND LIMITED

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

### PHYSICAL AND REGISTERED ADDRESS

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

### BOARD OF DIRECTORS

MA Golding (*Non-executive chairperson*)  
JR Macey (*Lead independent non-executive*)  
P 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*

### 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](http://www.texton.co.za)