



TEXTON
PROPERTY FUND

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

2023



*The Grid,
Rivonia Road*



KEY METRICS

<p>DIRECT PROPERTY PORTFOLIO VALUE</p> <p>R2,130 billion</p> <p>(June 2023: R2,188 billion)</p>	<p>INTERNATIONAL PROPERTY INVESTMENTS</p> <p>R544,7 million</p> <p>(June 2023: R598,6 million)</p>
<p>LOAN-TO-VALUE (“LTV”) RATIO#</p> <p>31,0%</p> <p>(June 2023: 24,9%)</p>	<p>CORE PORTFOLIO VACANCIES^</p> <p>15,7%</p> <p>(June 2023: 17,7%)</p>
<p>NET ASSET VALUE (“NAV”)</p> <p>711.99 cents per share</p> <p>(June 2023: 619.37 cents per share)</p>	<p>INTEREST COVER RATIO* (“ICR”)</p> <p>1.82 times</p> <p>(June 2023: 2.22 times)</p>
<p>DISTRIBUTABLE INCOME PER SHARE</p> <p>14.19 cents per share</p> <p>(December 2022: 13.39 cents)</p>	

^ Core vacancy data excludes properties held for sale for both years under review and has been calculated excluding any internal storage leases.

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 R2,1 billion as at 31 December 2023 (June 2023: R2,2 billion) and our international property investment portfolio amounts to R544,7 million (June 2023: R598,6 million).

Texton maintains a focused and disciplined approach to capital allocation. We prioritize strategic reinvestment in our direct property holdings situated in key nodes within South Africa ("SA") and the United Kingdom ("UK"). Additionally, we deploy capital into high-quality property investments in developed markets, partnering with top-tier asset managers to ensure optimal performance and value creation.

HIGHLIGHTS & PERFORMANCE FOR THE 6 MONTHS ENDED 31 DECEMBER 2023

In the face of challenging market and economic conditions in both South Africa ("SA") and the United Kingdom ("UK"), Texton has navigated the landscape with resilience and adaptability.

SA direct property investments

South Africa's real estate market contended with persistent economic challenges, including higher inflation rates, logistical disruptions, and constrained consumer spending. Despite these hurdles, strategic initiatives and asset management strategies have enabled Texton to maintain stability and capitalize on opportunities within the market. The impact of economic conditions on rental demand and property values has been carefully monitored, guiding decision-making processes to optimize portfolio performance.

- Our effective implementation of the Small and Medium Enterprises ("SME") strategy within our South African office portfolio has yielded significant success, enhancing the value of our South African assets.
- Textspace provides innovative lease options for SME tenants in SA and has gained popularity for its flexible A- grade office spaces.

- We expanded our SME strategy by introducing a storage offering at two office parks, 30 Wellington Road and 151 Katherine Street.
- We have increased investment in environmental, social and governance initiatives such as solar power, energy- efficient lighting and boreholes.
- An amount of R30,4 million was spent on these initiatives during the six month period ending 31 December 2023.
- Vacancies within our core South African portfolio have decreased from 21,1% at 30 June 2023 to 18,6% as at 31 December 2023. This improvement can be attributed to the robust leasing activities and the storage facilities commencing trading and no longer reflecting as a vacancy.
- 21 new leases were completed in the current year with a combined GLA of 4 339m², the majority of these leases were leased to SME office tenants in line with our office strategy.
- Rental collections have remained strong at a rate of 98,6% throughout the period.

UK direct property investments

The UK's economic landscape, influencing the real estate market, presents a mix of opportunities and challenges. Fluctuating consumer spending, global trade shifts, and evolving regulations shape demand and investment patterns. Despite market volatilities and policy changes, innovation and strategic investments drive growth and resilience in select real estate segments.

- Our portfolio comprises three industrial assets representing 88,9% of value and one retail warehouse.
- All our properties in the UK contain upward only increases and they are triple net leases with a WALE of six years. As such, the income from these assets remains resilient and provides predictable income for our shareholders.
- Our UK portfolio boasts a 100% rental collection rate.
- The rise in interest rates has exerted upward pressure on capitalization rates, consequently affecting property valuations in the UK.
- Nevertheless, these long-term assets are resilient and offer the potential for sustained capital appreciation.
- Additionally, these investments serve as a valuable hedge against fluctuations in the South African rand, providing stability and diversification benefits to investment portfolios.

International indirect property investments

- Despite operating in a rising interest rate environment, investments in BREIT and SREIT have displayed resilient performance.
- The rising interest rates continue to impact valuations of real estate assets. BREIT and SREIT investments saw a downward valuation of R38,3 million for the 6 months ending 31 December 2023.
- Our investments in BREIT and SREIT continue to provide stable, predictable cash flows through the pay out of monthly dividends.
- Elsewhere, the underlying property fundamentals of offshore investments remain robust, and operational performance has been in line with expectations. However, pressure in the capital markets and elevated interest rates have influenced capital values negatively.
- There are reports of inflation coming down and lower long-term interest rates in the United States.
- During the period ending 31 December 2023, we invested an additional R3.4 million in the Greenpoint Investment. There were no further capital calls from other capital commitments during the period.
- These investments continue to provide us with a diversified international hedge.

Capital management

Asset disposal

As at 30 June 2023, we had three properties listed as held for sale. During the six months ended 31 December 2023, two of these properties were sold. The combined proceeds from the property sales amounted to R61,0 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 31,0% at 31 December, with all entities remaining within the LTV covenants.
- We repaid debt of R106,2 million, of which R74,5 million is a permanent decrease in our long-term debt. This was offset by R218,0 million that was drawdown from existing facilities, which was largely utilised for the specific repurchase.

- At 31 December 2023, Texton had R245,2 million cash on hand, excluding cash available in debt facilities.

Share Capital

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 30 November 2022 and 29 November 2023. The group holds treasury shares via Discus House Proprietary Limited ("Discus House"), a subsidiary of Texton. Discus House holds 31 853 013 shares (30 June 2023: 31 853 013).

- 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").

In July 2023, Texton repurchased 72 129 048 shares at R2.15 from the PIC, at the time, this represented approximately 19,8% of the total issued share capital, these shares were cancelled.

Rights Issue

As announced on the Stock Exchange News ("SENS") on the JSE on 6 December 2023, Texton launched a rights offer in order to provide additional capital and resources to implement its current strategies. The rights offer closed on 5 January 2024.

The company raised R85,0 million by launching a fully underwritten, non-renounceable rights offer of a total of 38 636 364 ordinary no par value shares in Texton at a price of R2.20 each.

Distributable earnings

Total distributable income for the six months ended 31 December 2023 amounted to R36,9 million (December 2022: R44,5 million), representing a 17,08% decrease in distributable income. However, distributable earnings per share increased by 6,01% due to the accretive impact of the specific buyback.

Calculation of distributable earnings

	Unaudited 31 December 2023	Unaudited 31 December 2022	Variance %
Revenue	140,752	159,838	(11.94)
Impairment losses on tenant debtors	(754)	2,383	(131.64)
Property expenses	(61,524)	(68,501)	10.19
Other income	18,687	10,411	79.49
Administrative expenses	(18,258)	(19,356)	5.67
Depreciation and amortisation	3,917	5,477	28.48
Net finance cost	(45,950)	(45,786)	0.36
– Finance income	10,960	3,596	204.78
– Finance cost	(56,910)	(49,382)	(15.24)
Total distributable earnings	36,870	44,466	(17.08)
Distributable income per share (cents)	14.19	13.39	6.01

Net property income (“NPI”) decreased by R18,6 million, primarily due to property sales. On a like-for-like basis and excluding one off items, income would have increased by 3% year-on-year. This growth is attributed to cost-saving initiatives such as solar projects and boreholes, along with strong leasing activities. Looking ahead, we anticipate further income growth driven by the success of our SME strategy, particularly with Texspaces, and the increasing momentum of our storage offering. Direct property expenses are expected to decrease further due to boreholes and solar energy initiatives, with ongoing efforts to optimize property costs and enhance relationships with service providers to minimize expenses.

Other income saw an increase to R18,2 million due to returns being received on the indirect international property investments and a return from Inception Reading S.a.r.l. as a result of the liquidation process.

Administration expenses decreased due to cost cutting measures and effective cost management.

Net finance costs have remained stable over the period despite a continuous increase in interest rates. Excess funds are placed on overnight deposits to minimise the effect of rising interest rates.

DIVIDEND

The Board of directors of Texton has elected not to pay an interim dividend for the six months ended 31 December 2023.

DIRECT PROPERTY PORTFOLIO

SA direct portfolio

SA portfolio sectoral profile

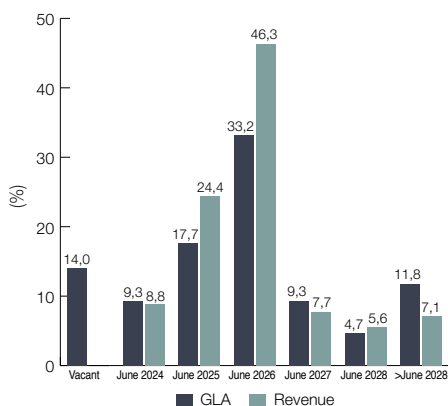
Sector	31 December 2023		30 June 2023	
	GLA %	Value %	GLA %	Value %
Office	95,1	92,0	86,8	89,3
Retail	4,9	8,0	3,4	7,7
Industrial	-	-	9,8	3,0
	100	100	100	100

GLA reconciliation

	GLA m ²
Balance as at 30 June 2023	175,930
Disposals	(44,654)
Remeasurements	398
Balance as at 31 December 2023	131,674

The directly held portfolio in SA comprises 24 properties (June 2023: 26 properties) measuring 131 674m² (June 2023: 175 930m²). 95,1% 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 31 December 2023

	31 December 2023 GLA m ²	30 June 2023 GLA m ²	31 December 2022 GLA m ²
Total vacancy*	24,058	54,497	58,634
Properties held for sale	(318)	(27,758)	(30,745)
Core vacancy	23,740	26,739	27,889
Core GLA	127,346	126,947	142,104
Core vacancy (%)	18,6	21,1	19,6

* Total vacancy has been calculated excluding any storage lease.

Total vacant GLA at 31 December 2023 was 24 058m² (June 2023: 54 497m²), which represents a decrease of 30 439m² during the year. The decrease in total vacant GLA is largely due to the sale of non core assets. Total core vacancy as at 31 December 2023 was 18,6% (June 2023: 21,1%) in South Africa. Majority of the vacancy is largely attributable to our office portfolio and space that is being redeveloped for storage facilities.

Letting activity

	31 December 2023		31 December 2022	
	GLA m ²	Number of tenants	GLA m ²	Number of tenants
New deals				
Office	4,295	20	6,127	24
Retail	44	1	174	2
Industrial	–	–	3,987	3
	4,339	21	10,288	29

For the 6 months ended 31 December 2023, the South African portfolio faced many challenges namely, slow economic growth, persistent loadshedding and many businesses continuing to down size or shutting down. Despite these challenges, Texton was able to successfully conclude 21 (December 2022: 29) new leases with a combined GLA of 4 339m² (December 2022: 10 288m²).

Retention

Sector	Expiring GLA m ²	Renewed GLA m ²	Retention %	Escalation/ (reversion) on retained GLA %
Office	3,725	3,150	84,6	1,3
Retail	52	52	100,0	0,1
Industrial*	–	–	–	–
	3,777	3,202	84,8	1,2

* During the 6 months ended 31 December 2023, Texton disposed of its last industrial property.

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 2,45 years from 2,67 years as at 30 June 2023 and 2,82 as at 31 December 2022.

Rental collections

Texton maintained a strong rental collection throughout the period. 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 98,6% for the six months ended December 2023 (December 2022: 98,3%).

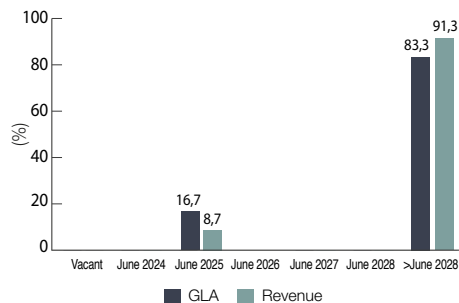
United Kingdom

UK – direct portfolio

Sector	31 December 2023		31 December 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	23,778	100

All our UK properties feature upward only increases and operate under triple net leases with a weighted average lease expiry (WALE) of six years. Consequently, the income generated from these assets remains robust, offering predictable returns for our shareholders. Additionally, these properties benefit from a strong tenant covenant, further bolstering their stability and attractiveness as investment assets.

UK expiry profile



INTERNATIONAL PROPERTY INVESTMENTS

Texton has 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.

Texton has invested in the USA with five investments, and in the UK with one investment, as set out below. Refer to note 5 of the financial section for details of the investment.

US investments	Commitment \$'000	Undrawn commitment \$'000	Market value \$'000	Market value R'000
Blackstone Real Estate Income Trust	12,500	–	12,388	218,590
Starwood Real Estate Income Trust	12,000	–	11,088	195,674
PadSplit Investment	2,500	–	2,366	36,706
Cadre real estate investment	5,000	1,873	3,048	59,855
GIM Investments/Apollo	5,500	5,060	440	8,082
Total	37,500	6,933	29,330	518,907

UK investments	Commitment £'000	Undrawn commitment £'000	Market value £'000	Market value R'000
Greenpoint/Infinium	2,650	1,402	1,108	25,813

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.

As announced on the SENS on the JSE on 6 December 2023, Texton launched a rights offer in order to provide additional capital and resources to implement its current strategies. The rights offer closed on 5 January 2024. The company raised R85 million by launching a fully underwritten, non-renounceable rights offer of a total of 38 636 364 ordinary no par value shares in Texton at a price of R2.20 each.

Recycling of capital

Asset disposal

Texton had three properties accounted for as held for sale on 30 June 2023. During the six months ended 31 December 2023, two properties were sold namely, Alrode Industrial Park and 12 Laub Street for a total of R61,0 million and a portion of Wale Street was sold. These funds were used to reduce debt related to the assets, and equity released from the sales is being reinvested in the repositioning of our properties and to further manage our debt and interest cost levels.

The remaining asset held for sale is being actively 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 2023	3	–		3	96,162
Sold	(2)	–		(2)	(61,000)
Movement	–	–		–	(6,032)
Balance as at 31 December 2023	1	–		1	29,130

Group borrowings

Texton has continued to pay down the debt on the balance sheet. In the year under review, Texton reduced its debt by R106,2 million, of which R74,5 million is a permanent reduction in debt. However, R218,0 million was drawn down from the available facilities during the year, which was largely utilised for the specific repurchase.

Total debt outstanding as at 31 December 2023 amounted to R1,1 billion (31 December 2022: R1,0 billion).

Debt profile

	31 December 2023			31 December 2022		
	ZAR facilities Rm	GBP facilities £m	Total facilities Rm	ZAR facilities Rm	GBP facilities £m	Total facilities Rm
Total debt facilities	864.1	10,9	1,120.60	950.3	12,5	1,210.60
Total debt drawn	829	10,9	1,083.30	780.6	12,5	1,038.40
Net debt*	815	1	800,3	739	1	759.5
Subject to fix rates	–	–	–	200	10,2	406,2
% hedged on net debt	–	–	–	25,6	81,6	53,4
% effective interest rate	10,78	7,29	9,96	9,08	3,06	7,8

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

Loan and swap profile (31 December 2023)

	2024	2025	2026	2027	2028	Total
South Africa						
Loan expiry profile (Rm)	121,3	–	69,7	638	–	829
United Kingdom						
Loan expiry profile (£'000)	–	–	10,918	–	–	10,918
Group						
Loan expiry profile (Rm)	121,3	254,3	69,7	638	–	1,083.30

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

- Both loans were extended by a further 36 months at prime less 0,75%
- The Interest Cover Ratio ("ICR") to be reduced from 2.0 times to 1.80 times The loan profile above reflects the new expiry dates.

The refinance was finalized subsequent to 31 December 2023.

Subsequent to 31 December 2023, we identified an interest cover ratio (ICR) breach with Standard Bank as a result of the elevated interest rate expense. The breach was identified at both on the Borrower's ICR and the Portfolio ICR. We have communicated with the bank who have indicated willingness to condone these breaches.

We are currently in negotiations with the Standard Bank to refinance the debt expiring in June 2024.

Given the decrease in the UK asset valuations due to the increase in interest rates, the HSBC Loan-to-value ("LTV") covenant levels were exceeded as reported at 30 June 2023. The breach was remedied by paying down £1,6 million of the loan in October 2023.

COMMENTARY continued

HSBC have also provided temporary relief on the ICR and LTV covenant until 31 May 2024:

- ICR reduced from 1.75 times to 1.50 times
- LTV from 55% to 58%

The LTV will return to 55% from 1 June 2024.

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

NAV per share

NAV	December 2023 R'000	December 2022 R'000	June 2023 R'000
Reported NAV attributable to the parent	1,837,024	1,990,383	2,097,014
<i>Adjustments:</i>			
Dividend to be declared	–	–	(50,000)
Fair value of certain derivative financial instruments	–	(3,630)	–
Deferred tax	11,096	35,887	7,446
Total equity	1,848,120	2,022,640	2,054,460
Shares outstanding			
Number of shares in issue (net of treasury shares) ('000)	259,570	331,848	331,700
NAV per share (cents)	711.99	609.51	619.37

NAV per share has increased over the period to R711.99 from R619.37, representing an increase of 14,95%.

CURRENCY

The closing exchange rate on 31 December 2023 was R23,29:£1 (June 2023: R23,93:£1), and the average exchange rate for the year was R23,41:£1 (June 2023: R21,42:£1). The closing exchange rate on 31 December 2023 for the USD investments was R18,30 (June 2023:R18,84:\$1) and the average exchange rate for the year was R18,68 (June 2023: \$17,78).

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

Texton has maintained its Level four B-BBEE rating, with an improved black ownership percentage of 65,73%, up from 34,96% in the previous year. We are committed to aligning with the country’s B-BBEE policies and have implemented various transformation initiatives to uphold our Level four B-BBEE status. These efforts support Texton’s commitment to socio-economic development in South Africa.

PROSPECTS AND OUTLOOK

Texton is strongly positioned with a well-capitalised balance sheet and ample liquidity to execute our strategy:

- Reallocating capital into our existing South African direct property investments to align with our SME strategy.
- Investing in developed markets, prioritising partner-based strategies to offer our shareholders lucrative offshore portfolio returns in the long-term.

Despite the challenges posed by the current macroeconomic environment, including factors such as escalating inflation, rising borrowing costs, and uncertainties in both the South African and UK economies, Texton remains resolutely committed to pursuing its strategic objectives.

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.

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



*Bryanston Gate
Office Park*



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2023

	Unaudited 31 December 2023 R'000	Unaudited 31 December 2022 R'000	Audited 30 June 2023 R'000
ASSETS			
Non-current assets	2,681,354	2,713,727	2,720,063
Investment property	2,087,388	2,111,405	2,077,217
Equipment	6,758	11,512	6,532
Tenant installation	9,403	10,196	10,675
Investment in joint venture	–	518	–
Deferred tax	933	–	1,891
Unlisted investments	544,720	538,462	598,590
Lease commissions	4,151	5,381	4,314
Other receivables	28,001	36,253	20,844
Current assets	284,626	314,996	325,691
Trade and other receivables	28,820	31,195	31,317
Income tax receivable	4,898	4,898	5,080
Other receivables	5,661	–	9,178
Cash and cash equivalents	245,247	278,903	280,116
Investment property held for sale	29,130	94,814	96,162
Total assets	2,995,110	3,123,537	3,141,916
EQUITY AND LIABILITIES			
Equity	1,837,024	1,990,383	2,097,014
Share capital	2,629,681	2,787,136	2,786,814
Accumulated loss	(794,316)	(681,105)	(717,426)
Share-based payment reserve	87	539	87
Foreign Currency Translation Reserve	1,572	(116,187)	27,539
Non-current liabilities	785,182	913,233	865,150
External loans and derivative financial instruments	773,153	877,346	855,813
Deferred tax	12,029	35,887	9,337
Current liabilities	372,904	219,921	179,752
External loans and derivative financial instruments	313,882	157,665	125,679
Trade and other payables	58,437	54,528	52,431
Income tax payable	585	7,728	1,642
Total equity and liabilities	2,995,110	3,123,537	3,141,916

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 31 December 2023

	Unaudited 31 December 2023 R'000	Unaudited 31 December 2022 R'000	Audited 30 June 2023 R'000
Investment property income	140,752	159,838	297,855
Straight-line rental adjustment	(4,323)	3,953	835
Property revenue	136,429	163,791	298,690
(Impairment)/Reversal of impairment on trade receivables	(754)	2,383	2,222
Property expenses	(61,524)	(68,501)	(116,007)
Net property income	74,151	97,673	184,905
Other income	18,687	10,411	23,164
Administrative expenses	(18,258)	(19,489)	(41,406)
Impairment on vendor financing	–	–	(639)
Foreign exchange (losses)/gains	(981)	1,445	(7,960)
Operating profit	73,599	90,040	158,064
Finance income	10,960	3,596	16,976
Finance costs	(56,910)	(49,382)	(96,105)
Fair value adjustments	(49,784)	(10,089)	(117,705)
Impairment	–	82	–
(Loss)/profit before tax	(22,135)	34,247	(38,770)
Taxation expense	(4,755)	(12,078)	24,618
(Loss)/profit for the period	(26,890)	22,169	(14,152)
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations	(25,967)	35,657	179,383
Total comprehensive income for the year	(52,857)	57,826	165,231
Profit and total comprehensive income attributable to:			
Equity holders of the company	(52,857)	57,826	165,231
Basic earnings per share			
Basic (loss)/earnings per share (cents)	(10.31)	6.69	(4.26)
Diluted earnings per share (cents)	(10.31)	6.69	(4.26)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 31 December 2023

	Unaudited 31 December 2023 R'000	Unaudited 31 December 2022 R'000	Audited 30 June 2023 R'000
Cash flows from operating activities			
Cash generated by operations	81,555	74,279	161,673
Interest received	6,075	3,596	14,172
Interest paid	(56,830)	(47,062)	(92,743)
Dividends paid	(50,000)	(23,260)	(23,260)
Dividends received	14,847	9,586	18,305
Tax paid	(1,409)	(9,422)	(12,552)
Net cash outflow from operating activities	(5,762)	7,717	65,595
Cash flows from investing activities			
Additions to equipment	(1,187)	(3,734)	(1,381)
Additions to investment property	(27,627)	(2,721)	(9,271)
Proceeds on disposal of investment property classified as held for sale	15,465	133,001	132,382
Return of investment	–	136,908	139,985
Commission paid	(800)	(1,465)	(1,745)
Vendor finance repayments	4,000	–	3,000
Loans provided for supplier and enterprise development	–	–	(1,000)
Additions to unlisted investments	(3,410)	(31,438)	(60,327)
Escrow funds received relating to the sale of a property	–	4,665	5,167
Tenant installation incurred	(793)	(664)	(3,493)
Net cash outflow from investing activities	(14,352)	234,552	203,317
Cash flows from financing activities			
Treasury shares acquired	–	(2,408)	(2,730)
Shares repurchased	(155,435)	(6,278)	(6,278)
Shares repurchased transaction cost	(1,698)	–	–
Proceeds from external loans and derivative financial instruments	218,110	55,000	55,000
Repayments of external loans and derivative financial instruments	(68,143)	(142,873)	(190,160)
Debt structuring fees paid	(771)	–	–
Lease liability payment	–	(112)	(222)
Net cash outflow from financing activities	(7,937)	(96,671)	(144,390)
Net increase/(decrease) in cash and cash equivalents for the year	(28,051)	145,598	124,522
Cash and cash equivalents at the beginning of the year	280,116	122,278	122,278
Effect of exchange rate movement on cash and cash equivalents	(6,818)	11,028	33,316
Cash and cash equivalents at the end of the year	245,247	278,904	280,116

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 December 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 at 1 July 2022	2,795,822	(151,844)	407	(680,014)	1,964,371
Profit for the year	-	-	-	22,169	22,169
Exchange differences on translation of foreign operations	-	35,657	-	-	35,657
Total comprehensive income for the period	-	35,657	-	22,169	57,826
Dividends recognised as distributions to shareholder	-	-	-	(23,260)	(23,260)
Share based payment transactions	-	-	132	-	132
Shares repurchased and cancelled	(6,278)	-	-	-	(6,278)
Treasury shares acquired	(2,408)	-	-	-	(2,408)
Balance at 31 December 2022	2,787,136	(116,187)	539	(681,105)	1,990,383
Total comprehensive income for the period	-	143,726	-	(36,321)	107,405
Loss for the year	-	-	-	(36,321)	(36,321)
Other comprehensive income	-	143,726	-	-	143,726
Treasury shares acquired	(322)	-	-	-	(322)
Share based payment transaction	-	-	(452)	-	(452)
Balance as at 30 June 2023	2,786,814	27,539	87	(717,426)	2,097,014
Total comprehensive income for the period	-	(25,967)	-	(26,890)	(52,857)
Loss for the period	-	-	-	(26,890)	(26,890)
Exchange difference on translation of foreign operations	-	(25,967)	-	-	(25,967)
Dividends recognised as distributions to shareholder	-	-	-	(50,000)	(50,000)
Shares Repurchased	(155,434)	-	-	-	(155,434)
Transaction costs - Share Repurchase	(1,699)	-	-	-	(1,699)
Balance as at 30 June 2023	2,629,681	1,572	87	(794,316)	1,837,024

NOTES TO THE CONDENSED CONSOLIDATED UNAUDITED RESULTS

1. BASIS OF PREPARATION

The condensed unaudited consolidated interim financial statements for the six months ended 31 December 2023 are prepared in accordance with the requirements of the JSE Limited Listings Requirements, the requirements of the Companies Act of South Africa, the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and the SA Financial Reporting Requirements and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and 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 2023.

The accounting policies applied in the preparation of the condensed unaudited consolidated 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 2023 have had a material impact on the condensed unaudited consolidated 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).

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

The directors take full responsibility for the preparation of these condensed consolidated unaudited interim financial statements. These condensed consolidated unaudited financial statements were prepared by B Rajdew Singh CA(SA) under the supervision of the Chief Executive Officer, Mr HSP Welleman.

These condensed consolidated interim financial statements have not been reviewed or audited by the Company's external auditors.

2. SIGNIFICANT JUDGEMENT

When preparing these condensed unaudited consolidated 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 unaudited 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

	Unaudited 31 December 2023 R'000	Unaudited 31 December 2022 R'000	Audited 30 June 2023 R'000
Reconciliation of movement in investment property for the year			
Balance at the beginning of the period	2,077,217	2,120,715	2,120,715
Additions	27,764	2,721	9,271
Straight-line rental adjustment	(4,322)	5,036	2,068
Foreign currency translation reserve	(13,597)	17,259	97,045
Fair value adjustments	326	(10,130)	(50,763)
Transfer from investment property held for sale	–	(24,927)	(101,119)
Loss on disposal	–	731	–
Balance at the end of the period	2,087,388	2,111,405	2,077,217

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 model of valuation has been used. In determining the fair value of the UK portfolio, the valuations were prepared based on 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. In preparation of the condensed consolidated unaudited interim financial statements, prepared in accordance with IAS 34, the valuations have remained the same as reported at 30 June 2023.

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 period.

Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the year in which they arise.

Investment property and Investment property held for sale amounting to R2,1 billion (June 2023: 2,2 billion) has been pledged as security for our long term loans. Texton has no unencumbered property.

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.

NOTES TO THE CONDENSED CONSOLIDATED UNAUDITED RESULTS continued

3. 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.

	Unaudited 31 December 2023 %	Unaudited 31 December 2022 %	Audited 30 June 2023 %
Discount rates used are included below:			
Sector			
Office	13,50 – 15,75	13,55 – 16,80	13,50 – 15,75
Industrial*	–	15,20	–
Retail	14,75	14,25	14,75
Exit capitalisation rates for year five are included below:			
Sector			
Office	10,00 – 11,25	9,80 – 12,55	10,0 – 11,25
Industrial*	–	11,20	–
Retail	9,50	10,00	9,50
The future revenue growth for the five-year projection is included below:			
Sector			
Office	4,0 – 7,0	5,00 – 8,00	4,0 – 7,0
Industrial*	–	5,00	–
Retail	7,00	5,00 – 8,00	7,00

* There is only one industrial property held by Texton, at 30 June 2023 this property is held for sale and is valued at its selling price less estimated costs to sell, therefore there are no inputs used for this property. This property was sold during the period ending 31 December 2023.

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 visa versa.

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

Sensitivity analysis to significant unobservable inputs

	Unaudited 31 December 2023 R'000	Unaudited 31 December 2022 R'000	Audited 30 June 2023 R'000
Sensitivity analysis to exit capitalisation rates			
Exit capitalisation rate increases by 1%	(84,285)	(84,229)	(84,285)
Exit capitalisation rate decreases by 1%	103,481	102,501	103,481
Sensitivity analysis to discount rates			
Discount rate increases by 1%	(57,079)	(44,016)	(57,079)
Discount rate decreases by 1%	60,202	46,458	60,202
Sensitivity analysis to market rentals			
Market rental decreases by 1%	(15,720)	(14,680)	(15,720)
Market rental increases by 1%	15,848	14,880	15,848

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 31 December 2023 %	Unaudited 31 December 2022 %	Audited 30 June 2023 %
Equivalent yields used are included below:			
Sector			
Industrial	6,1 – 6,6	5,15 – 6,50	6,1 – 6,6
Retail	9,08	8,40	9,08
Annual market rentals per square foot in GBP used are included below, rounded to the nearest 1 000:			
Sector			
Industrial	4,5 – 6,5	41,3 – 59,7	4,5 – 6,5
Retail	12,5 – 20,0	6,4 – 21,7	12,5 – 20,0

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 visa 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.

NOTES TO THE CONDENSED CONSOLIDATED UNAUDITED RESULTS continued

3. INVESTMENT PROPERTY continued

UK valuations continued

Sensitivity analysis to significant unobservable inputs

	Unaudited 31 December 2023 R'000	Unaudited 31 December 2022 R'000	Audited 30 June 2023 R'000
Sensitivity analysis to equivalent yields			
Equivalent yield increases by 1%	(69,886)	(75,890)	(69,886)
Equivalent yield decreases by 1%	93,939	110,150	93,939
Sensitivity analysis to market rentals			
Market rental decreases by 1%	(4,667)	(3,398)	(4,667)
Market rental increases by 1%	3,590	3,502	3,590

4. INVESTMENT PROPERTY HELD FOR SALE

	Unaudited 31 December 2023 R'000	Unaudited 31 December 2022 R'000	Audited 30 June 2023 R'000
Opening balance	96,162	464,900	464,900
Transferred from investment property	–	24,927	101,119
Transferred from tenant installations	–	–	2,413
Transferred from lease commissions	–	73	1,331
Transferred from equipment	–	–	5
Fair value adjustments	–	1,084	(14,186)
Straight lining adjustment	–	(1,084)	(1,234)
Loss on disposal of investment property	(6,032)	(339)	(10,931)
Disposals	(61,000)	(394,747)	(447,255)
Closing balance	29,130	94,814	96,162

5. UNLISTED INVESTMENTS

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

31 December 2023

US investments	Fair value Hierarchy	Commitment \$'000	Undrawn commitment \$'000	Market value \$'000	Market value R'000	Dividend income R'000
Blackstone Real Estate Income Trust	Level 2	12,500	–	12,388	218,590	5,616
Starwood Real Estate Income Trust	Level 2	12,000	–	11,088	195,674	5,258
PadSplit Investment	Level 3	2,500	–	2,366	36,706	3,972
Cadre real estate investment	Level 3	5,000	1,873	3,048	59,855	–
GIM Investments/Apollo	Level 3	5,500	5,060	440	8,082	–
		37,500	6,933	29,330	518,907	14,846

UK investments	Fair value Hierarchy	Commitment £'000	Undrawn commitment £'000	Market value £'000	Market value R'000	Dividend income R'000
Greenpoint/Infinium	Level 3	2,650	1,402	1,108	25,813	–

31 December 2022

US investments	Fair value Hierarchy	Commitment \$'000	Undrawn commitment \$'000	Market value \$'000	Market value R'000	Dividend income R'000
Blackstone Real Estate Income Trust	Level 2	12,500	–	13,014	224,542	4,574
Starwood Real Estate Income Trust	Level 2	12,000	–	12,218	216,637	4,918
PadSplit Investment	Level 3	2,500	–	1,931	32,870	–
Cadre real estate investment	Level 3	5,000	3,064	2,500	42,557	94
GIM Investments/Apollo	Level 3	5,500	5,500	–	–	–
		37,500	8,564	29,663	516,606	9,586

UK investments	Fair value Hierarchy	Commitment £'000	Undrawn commitment £'000	Market value £'000	Market value R'000	Dividend income R'000
Greenpoint/Infinium	Level 3	2,650	1,555	1,095	21,856	–

NOTES TO THE CONDENSED CONSOLIDATED UNAUDITED RESULTS continued

5. UNLISTED INVESTMENTS continued

30 June 2023

US investments	Fair value Hierarchy	Commit- ment \$'000	Undrawn commit- ment \$'000	Market value \$'000	Market value R'000	Dividend income R'000
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

UK investments	Fair value Hierarchy	Commit- ment £'000	Undrawn commit- ment £'000	Market value £'000	Market value R'000	Dividend income R'000

Reconciliation of movement during the year:

	Opening Balance R'000	Acqui- sitions/ (return of capital) R'000	Fair value adjust- ments R'000	Interest received R'000	Foreign currency movement R'000	Closing Balance R'000
31 December 2023						
Blackstone Real Estate Income Trust*	243,273	–	(18,063)	–	(6,620)	218,590
Starwood Real Estate Income Trust*	221,786	–	(20,256)	–	(5,856)	195,674
PadSplit Investment**	41,249	(751)	(2,678)	–	(1,114)	36,706
Cadre real estate investment***	57,408	–	264	2,183	–	59,855
Greenpoint/Infinium****	26,568	3,410	(3,451)	–	(714)	25,813
GIM Investments/ Apollo*****	8,305	–	–	–	(223)	8,082
	598,589	2,659	(44,184)	2,183	(14,527)	544,720

31 December 2022	Opening Balance R'000	Acquisitions R'000	Fair value adjust- ments R'000	Interest received R'000	Foreign currency movement R'000	Closing Balance R'000
Blackstone Real Estate Income Trust*	214,202	–	1,662	–	8,678	224,542
Starwood Real Estate Income Trust*	207,388	–	–	–	9,249	216,637
PadSplit Investment**	40,766	–	–	–	1,791	42,557
Cadre real estate investment***	15,514	16,497	859	–	–	32,870
Greenpoint/Infinium****	7,192	14,940	–	–	(276)	21,856
	485,062	31,437	2,521	–	19,442	538,462

30 June 2023	Opening Balance R'000	Acquisitions R'000	Fair value adjust- ments R'000	Interest received R'000	Foreign currency 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

Gains or losses arising from changes in the fair value of unlisted investments are included in profit or loss in the year in which they arise.

NOTES TO THE CONDENSED CONSOLIDATED UNAUDITED RESULTS continued

6. INVESTMENT IN JOINT VENTURE

	Unaudited 31 December 2023 R'000	Unaudited 31 December 2022 R'000	Audited 30 June 2023 R'000
Balance at the beginning of the year	–	137,426	137,426
Funds received from joint venture	(3,461)	(136,908)	(139,985)
Reversal of impairments	3,461	–	2,559
Balance at the end of the period	–	518	–

The Group has a 50% (June 2023: 50%) interest in Broad Street Mall and Texton exercises joint control. This interest is accounted for using the equity method. The Company's principal place of business is in the UK and is a company incorporated in Luxembourg, Broad Street Mall was sold on 24 June 2022 and the joint venture entity is currently in the process of being liquidated.

7. FAIR VALUE ADJUSTMENTS

	Unaudited 31 December 2023 R'000	Unaudited 31 December 2022 R'000	Audited 30 June 2023 R'000
Investment property	315	(12,802)	(50,763)
Loss on disposal of property	(6,052)	(2,742)	(6,736)
Investment property classified as held for sale	138	1,084	(14,186)
Financial instruments at fair value through profit or loss			
Interest rate swap	–	1,850	(2,259)
Unlisted Investments	(44,185)	2,521	(43,761)
Fair value loss for the period	(49,784)	(10,089)	(117,705)

8. EXTERNAL LOANS AND DERIVATIVE

	Unaudited 31 December 2023 R'000	Unaudited 31 December 2022 R'000	Audited 30 June 2023 R'000
Balance at the beginning of the year	981,492	1,345,002	1,345,002
– non-current	855,813	1,119,443	1,119,443
– current	125,679	225,559	225,559
Advances during the year	218,110	55,000	55,000
Repayments during the year	(111,174)	(374,960)	(475,372)
Foreign currency translation reserve movements	(9,241)	9,453	49,539
Fair value on interest rate swaps	–	–	2,259
Structuring fees amortised during the year	1,996	(1,850)	3,156
Debt structuring fees paid	771	1,522	–
Interest accrual	5,081	844	1,908
Closing balance at the end of the year	1,087,035	1,035,011	981,492
– non-current	773,153	877,346	855,813
– current	313,882	157,665	125,679

Bank covenants as at 31 December 2023

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 55%
- Interest cover ratio for the facility of a minimum of 1.75 times
- All covenants applicable to Standard Bank are currently met by Texton

Subsequent to 31 December 2023, we identified an interest cover ratio (ICR) breach with Standard Bank as a result of the elevated interest rate expense. The breach was identified at both on the Borrower's ICR and the Portfolio ICR. We have communicated with the bank who have indicated willingness to condone these breaches.

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
- All covenants applicable to Investec are currently met by Texton

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

- Both loans were extended by a further 36 months at prime less 0,75%
- The Interest Cover Ratio to be reduced from 2.0 times to 1.80 times
- Covenant testing only to be performed at year-end

The refinance was finalised subsequent to 31 December 2023.

NOTES TO THE CONDENSED CONSOLIDATED UNAUDITED RESULTS continued

8. EXTERNAL LOANS AND DERIVATIVE continued

Loan covenants applicable to the HSBC facilities

- LTV ratio for the HSBC facilities may not exceed 50%
- Historical interest cover ratio for the facility must be a minimum of 1.50 times
- Projected interest cover ratio for the facility must be a minimum of 1.50 times
- All covenants applicable to HSBC are currently met by Texton

Given the decrease in the UK asset valuations due to the increase in interest rates, the HSBC LTV covenant levels were exceeded as reported at 30 June 2023. The breach was remedied by paying down GBP1,6 million of the loan in October 2023. HSBC have also provided temporary relief on the ICR and LTV covenant until 31 May 2024:

- ICR reduced from 1.75 times to 1.50 times
- LTV from 55% to 58%

The LTV will return to 55% from 1 June 2024.

9. FINANCIAL INSTRUMENTS

	Fair value through profit or loss		
	Unaudited 31 December 2023 R'000	Unaudited 31 December 2022 R'000	Audited 30 June 2023 R'000
Financial assets			
Investment in joint venture	–	518	–
External loans and derivative financial instruments	–	3,630	–
Unlisted investments	544,720	538,462	598,590
Financial assets	544,720	542,610	598,590
Financial liabilities			
External loans and derivative financial instruments	–	–	–
Financial liabilities	–	–	–

	Amortised cost		
	Unaudited 31 December 2023 R'000	Unaudited 31 December 2022 R'000	Audited 30 June 2023 R'000
	Financial assets		
Other receivables	33,662	36,253	30,022
Trade and other receivables	20,682	32,095	20,690
Cash	245,247	278,903	280,116
Financial assets	299,591	347,251	330,828
Financial liabilities			
External loans and derivative financial instruments	1,087,035	1,031,381	981,492
Trade and other payables	29,722	33,119	32,017
Financial liabilities	1,116,757	1,064,500	1,013,509

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.

NOTES TO THE CONDENSED CONSOLIDATED UNAUDITED RESULTS continued

10. FAIR VALUE HIERARCHY continued

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

	Carrying value			
	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
31 December 2023				
Assets				
Investment properties	–	–	2,087,388	2,087,388
Investment properties held for sale	–	–	29,130	29,130
Unlisted investments	–	414,264	130,456	544,720
31 December 2022				
Assets				
Investment properties	–	–	2,111,405	2,111,405
Investment properties held for sale	–	–	94,814	94,814
Investment in joint venture	–	–	518	518
Interest rate swap	–	3,630	–	3,630
Unlisted investments	–	441,179	97,283	538,462
30 June 2023				
Assets				
Investment properties	–	–	2,077,217	2,077,217
Investment properties held for sale	–	–	96,162	96,162
Unlisted investments	–	465,059	133,531	598,590

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
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. 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.	Not applicable	Not applicable
Investments: Interest in Blackstone Real Estate Income Trust iCapital Offshore Access Fund SPC	Real Estate Income Trust iCapital Offshore Access Fund SPC, a private unlisted REIT. 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.	Not applicable	Not applicable
Investments: Interest in Starwood Real Estate Income Trust Offshore Fund SPC	Real Estate Income Trust Offshore Fund SPC, a private unlisted REIT.	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
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

NOTES TO THE CONDENSED CONSOLIDATED UNAUDITED RESULTS continued

11. EVENTS AFTER THE REPORTING DATE

Rights Issue

As announced on the Stock Exchange News ("SENS") on the JSE on 6 December 2023, Texton launched a rights offer in order to provide additional capital and resources to implement its current strategies. The rights offer closed on 5 January 2024.

The company raised R85 million by launching a fully underwritten, non-renounceable rights offer of a total of 38 636 364 ordinary no par value shares in Texton at a price of R2.20 each.

	Number of Rights Offer Shares	Percentage of Rights Offer Shares %
Rights Offer Shares available for subscription	38,636,364	100
Rights Offer Shares subscribed for	36,378,030	94
Rights Offer Shares issued to the Underwriters per Underwriting Agreement	2,258,334	6
Total Rights Offer Shares issued	38,636,364	100

ICR Breach

Subsequent to 31 December 2023, we identified an interest cover ratio (ICR) breach with Standard Bank as a result of the elevated interest rate expense. The breach was identified at both on the Borrower's ICR and the Portfolio ICR. We have communicated with the bank who have indicated willingness to condone these breaches.

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.

12. DIVIDENDS PAID

	Unaudited 31 December 2023 R'000	Unaudited 31 December 2022 R'000	Audited 30 June 2023 R'000
Dividends paid	50,000	23,260	23,260

Dividends are paid from income reserves.

13. SEGMENT REPORTING

	South Africa		
	Unaudited 31 December 2023 R'000	Unaudited 31 December 2022 R'000	Audited 30 June 2023 R'000
	Segmental revenue-rental revenue		
Office	104,622	109,220	211,812
Retail	10,659	21,760	32,769
Industrial	3,289	17,785	22,674
Storage	250	–	–
	118,820	148,765	267,255
Profit before tax			
Office	44,808	52,135	124,534
Retail	8,283	8,944	17,109
Industrial	1,558	8,329	10,767
Corporate	(53,801)	(55,954)	(106,144)
Storage	(352)	–	–
	496	13,454	46,266
Total assets			
Office	1,546,725	1,620,017	1,547,331
Retail	132,953	171,538	163,010
Industrial	2,711	66,331	55,032
Corporate	41,984	(521)	11,065
Storage	262	–	–
	1,724,635	1,857,365	1,776,438
Total liabilities			
Office	(34,743)	(29,414)	(27,374)
Retail	(4,917)	(9,015)	(5,254)
Industrial	(1,573)	(8,307)	(1,602)
Corporate	(839,160)	(792,188)	(688,586)
Storage	(70)	–	–
	(880,463)	(838,924)	(722,816)

NOTES TO THE CONDENSED CONSOLIDATED UNAUDITED RESULTS continued

13. SEGMENT REPORTING continued

	United Kingdom		
	Unaudited 31 December 2023 R'000	Unaudited 31 December 2022 R'000	Audited 30 June 2023 R'000
Segmental revenue – rental revenue			
Office	–	–	–
Retail	2,868	2,387	4,805
Industrial	14,741	12,639	26,630
	17,609	15,026	31,435
Profit before tax			
Office	–	–	–
Retail	2,286	2,301	(261)
Industrial	13,735	11,954	(33,546)
Corporate	(9,051)	(7,014)	(15,656)
	6,970	7,241	(49,463)
Total assets			
Office	–	30	–
Retail	70,153	62,220	69,770
Industrial	503,929	467,407	503,972
Corporate	151,673	198,053	24,981
	725,755	727,710	598,723
Total liabilities			
Office	–	–	–
Retail	(4,263)	(3,322)	(4,264)
Industrial	(13,056)	(28,091)	(15,518)
Corporate	(260,304)	(262,822)	(302,288)
	(277,623)	(294,235)	(322,070)

	Investments		
	Unaudited	Unaudited	Audited
	31 December 2023 R'000	31 December 2022 R'000	30 June 2023 R'000
Segmental revenue – rental revenue			
Office	-	-	-
Retail	-	-	-
Industrial	-	-	-
	-	-	-
Profit before tax			
Office	-	-	-
Retail	-	-	-
Industrial	-	-	-
Investments	(29,601)	13,552	(35,573)
	(29,601)	13,552	(35,573)
Total assets			
Office	-	-	-
Retail	-	-	-
Industrial	-	-	-
Investments	544,720	538,462	598,590
	544,720	538,462	598,590
Total liabilities			
Office	-	-	-
Retail	-	-	-
Industrial	-	-	-
Investments	-	-	-
	-	-	-

NOTES TO THE CONDENSED CONSOLIDATED UNAUDITED RESULTS continued

13. SEGMENT REPORTING continued

	Total		
	Unaudited 31 December 2023 R'000	Unaudited 31 December 2022 R'000	Audited 30 June 2023 R'000
Segmental revenue-rental revenue			
Office	104,622	109,220	211,812
Retail	13,527	24,147	37,574
Industrial	18,030	30,424	49,304
Storage	250		
	136,429	163,791	298,690
Profit before tax			
Office	44,808	52,135	124,534
Retail	10,569	11,245	16,848
Industrial	15,293	20,283	(22,779)
Corporate	(62,852)	(62,968)	(121,800)
Investments	(29,601)	13,552	(35,573)
Storage	(352)		
	(22,135)	34,247	(38,770)
Total assets			
Office	1,546,725	1,620,047	1,547,331
Retail	203,106	233,758	232,780
Industrial	506,640	533,738	559,004
Corporate	193,657	197,532	36,046
Investments	544,720	538,462	598,590
Storage	262		
	2,995,110	3,123,537	2,973,751
Total liabilities			
Office	(34,743)	(29,414)	(27,374)
Retail	(9,180)	(12,337)	(9,518)
Industrial	(14,629)	(36,398)	(17,120)
Corporate	(1,099,464)	(1,055,010)	(990,874)
Storage	(70)		
	(1,158,086)	(1,133,159)	(990,138)

The Group is managed on a consolidated basis and inter-segmental transactions have been eliminated.

14. HEADLINE EARNINGS

	Unaudited 31 December 2023 R'000	Unaudited 31 December 2022 R'000	Audited 30 June 2023 R'000
Headline earnings attributable to shareholders			
(Loss)/profit attributable to	(26,890)	22,169	(14,152)
Fair value adjustment of investment property	(315)	12,802	50,763
Fair value adjustment of investment property held for sale	(138)	(1,084)	14,186
Reversal of impairment	(3,462)	–	(2,559)
Loss on sale of property held for sale	6,052	2,742	6,736
Headline earnings attributable to shareholders	(24,753)	36,629	54,974
Weighted number of shares ('000)	260,901	331,339	332,408
Shares in issue ('000)	291,423	363,701	363,701
Treasury shares ('000)	31,853	31,853	32,001
Profit per share			
Basic earnings per share (cents)	(10.31)	6.69	(4.26)
Diluted earnings per share (cents)	(10.31)	6.69	(4.26)
Headline earnings per share (cents)	(9.49)	11.05	16.54
Diluted headline earnings per share (cents)	(9.49)	11.05	16.54

NOTES TO THE CONDENSED CONSOLIDATED UNAUDITED RESULTS continued

15. SUMMARY OF FINANCIAL PERFORMANCE

	Unaudited 31 December 2023 R'000	Unaudited 31 December 2022 R'000	Audited 30 June 2023 R'000
Shares used for dividend calculation ('000)	259,570	331,848	259,570
Weighted average number of shares in issue ('000)	260,901	331,339	332,408
NAV per share (cents)	711.99	609.51	619.37
Basic earnings per share (cents)	(10.31)	6.69	(4.26)
Headline earnings per share (cents)	(9.49)	11.05	16.54
Share price (cents)	250	260	250
LTV ratio*	31.0	26.9	24.90
Cost-to-income ratios			
Gross property cost-to-income ratio (%)	45,7	41,4	41,9
Net property cost-to-income ratio (%)	31,7	24,0	24,7
Gross total cost-to-income ratio (%)	54,6	51,6	52,7
Net total cost-to-income ratio	44,0	40,6	22,3

* 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 and disclosure of relevant ratios in the SA REIT sector. This will ensure information and definitions are clearly presented, enhancing comparability and consistency across the sector. The comparative figures have been computed and disclosed on the same basis.

SA REIT FUNDS FROM OPERATIONS (“SA REIT FFO”) PER SHARE

	Unaudited 31 December 2023 R'000	Unaudited 31 December 2022 R'000
Profit or loss per income statement	(26,890)	22,169
Accounting/specific adjustments	55,973	20,999
Fair value adjustments to:		
– Investment property	(315)	11,718
– Debt and equity instruments held at fair value through profit or loss	–	(1,718)
– Fair value losses/(gains) on unlisted investments	44,185	(2,521)
Depreciation and amortisation of intangible assets	3,026	5,477
Asset impairments (excluding goodwill) and reversals of impairment	–	(82)
Gains or losses on the modification of financial instruments	–	–
Deferred tax movement recognised in profit or loss	4,755	12,078
Straight-lining operating lease adjustment	4,323	(3,953)
Adjustments arising from investing activities	5,914	2,742
Gains or losses on disposal of:		
– Investment property held for sale	5,914	2,742
Foreign exchange and hedging items	981	(1,445)
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	981	(2)
Other adjustments		
Tax impact of the above adjustments	(245)	–
Tax impact		
SA REIT FFO	35,733	44,465
Number of shares outstanding at the end of the year (net of treasury shares)	259,570	331,848
SA REIT FFO cents per share	13.77	13.40
Income available for distribution	36,870	44,466
Number of shares outstanding used for dividends	259,570	331,848
Distributable income per share before pay-out ratio (cents per share)	14.19	13.39

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

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

	Unaudited 31 December 2023 R'000	Unaudited 31 December 2022 R'000
Reported NAV attributable to the parent	1,837,024	1,990,383
Adjustments:		
Dividend to be declared		
Fair value of certain derivative financial instruments	–	(3 630)
Deferred tax	12,962	35,887
SA REIT NAV	1,848,495	2,022,640
Shares outstanding		
Number of shares in issue at period end (net of treasury shares)	259,570	331,848
Dilutive number of shares in issue	259,570	331,848
SA REIT NAV per share (cents)	7.12	609.51

SA REIT COST-TO-INCOME RATIO

	Unaudited 31 December 2023 R'000	Unaudited 31 December 2022 R'000
Expenses		
Operating expenses per IFRS income statement (includes municipal expenses)	61,455	68,501
Administrative expenses per IFRS income statement	18,258	19,489
<i>Exclude:</i>		
Depreciation expense in relation to property, plant and equipment of an administrative nature and amortisation expense in respect of intangible assets	(3,026)	(5,477)
- Building selling costs	–	
Operating costs	76,687	82,513
Rental income		
Contractual rental income per IFRS income statement (excluding straight-lining)	108,533	121,081
Utility and operating recoveries per IFRS income statement	31,911	38,752
Gross rental income	140,443	159,833
SA REIT cost-to-income ratio (%)	54,6	51,6

SA REIT ADMINISTRATIVE COST-TO-INCOME RATIO

	Unaudited 31 December 2023 R'000	Unaudited 31 December 2022 R'000
Expenses		
Administrative expenses per IFRS income statement	18,258	19,489
Administrative costs	18,258	19,489
Rental income		
Contractual rental income per IFRS income statement (excluding straight-lining)	108,533	121,081
Utility and operating recoveries per IFRS income statement	31,911	38,752
Gross rental income	140,443	159,833
SA REIT administrative cost-to-income ratio (%)	13,0	12,2

SA REIT GLA VACANCY RATE

	31 December 2023 m ²	31 December 2022 m ²
Gross lettable area of vacant space	24,058	58,494
Gross lettable area of total property portfolio	155,451	199,606
SA REIT GLA vacancy rate (%)	15,5	29,3

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

COST OF DEBT

	31 December 2023 m ²	31 December 2022 m ²
South Africa		
Variable interest rate borrowings		
Floating reference rate plus weighted average margin	10,78	8,86
Pre-adjusted weighted average cost of debt	10,78	8,86
Adjustments:		
Impact of interest rate derivatives	-	0,22
All-in weighted average cost of debt – ZAR	10,78	9,08
United Kingdom		
Variable interest rate borrowings		
Floating reference rate plus weighted average margin	7,29	4,98
Pre-adjusted weighted average cost of debt	7,29	4,98
Adjustments:		
Impact of interest rate derivatives	-	(1,92)
All-in weighted average cost of debt – GBP	7,29	3,06

SA REIT LOAN-TO-VALUE (“SA REIT LTV”)

	31 December 2023 R'000	31 December 2022 R'000
Gross debt	1,087,035	1,035,011
Less:		
Cash and cash equivalents	(245,247)	(278,903)
Add/less:		
Derivative financial instruments	-	2,055
Net debt	841,788	3,123,537
Total assets – per statement of financial position	2,993,868	3,123,537
Less:		
Cash and cash equivalents	(245,247)	(278,903)
Trade and other receivables	(34,172)	(31,195)
Carrying amount of property-related assets	2,714,449	2,813,439
SA REIT LTV (%)	31,0	26,9

CORPORATE INFORMATION

TEXTON PROPERTY FUND LIMITED

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

PHYSICAL AND REGISTERED ADDRESS

Block C, 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)
AJ Hannington (Independent non-executive)
S Thomas (Independent non-executive)
W van der Vent (Independent non-executive)
RA Franco (Non-executive)

COMPANY SECRETARY

Corpstat Governance Services Proprietary Limited
Bryanston Gate
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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 2196

TRANSFER SECRETARY

Computershare Investor Services Proprietary Limited
Rosebank Towers
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TEXTON
PROPERTY FUND

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