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**Texton Property Fund Limited**  
**Registration number: 2005/019302/06**  
**Approved as a REIT by the JSE**  
**Share code: TEX ISIN: ZAE000190542**  
**("Texton" or "the group" or "the Company")**

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**CONDENSED UNAUDITED CONSOLIDATED INTERIM FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2021 AND THE DECLARATION OF A CASH DIVIDEND**

## **ABOUT TEXTON**

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

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

## **KEY FINANCIAL RESULTS**

	Six months ended 31 December 2021	Six months ended 31 December 2020	Change %
Property revenue (R'000)	172 070	243 330	(29.3)
Distributable earnings (R'000)	42 252	98 063	(56.9)
Dividend per share (cents)	10.00	-	100%
Headline earnings per share (cents)	15.43	11.03	39.9
(Loss)/earnings per share (cents)	(4.06)	38.82	(110.5)
Net asset value per share (cents)	603.32	609.66	(1.0)

## **HIGHLIGHTS**

### **CAPITAL ALLOCATION**

#### ***Direct property investments***

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

- Collections in SA remained at a healthy 93%, with our UK portfolio at 100%.

#### ***Indirect property investments***

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

#### ***Share buyback***

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

## **CAPITAL MANAGEMENT**

#### ***Asset disposal***

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

#### ***Balance sheet management***

- Reduced long-term debt by R127,8 million<sup>1</sup>, of which R26,5 million is a permanent decrease in our long-term debt
- Refinanced our UK direct property portfolio, which resulted in £2,8 million being made available for further investments
- Successfully closed out the cross-currency interest rate swap (“CCIRS”) at a net foreign exchange loss of R1,6 million
- LTV<sup>2</sup> has improved to 31,2% at period-end
- All entities remain within interest cover and LTV covenants
- Texton has R342 million cash on hand, excluding cash available in debt facilities.

## **OPERATIONAL EXCELLENCE**

- Successfully integrated the property management team into the Texton head office structure, providing a direct line of communication with tenants and enhancing our ability to react to customer requirements and improve servicing
- Our internal leasing team successfully concluded 35 (December 2020: 37) new leases with a combined GLA of 8 122m<sup>2</sup> (December 2020: 9 234m<sup>2</sup>). We expect to better last year’s record number of leases signed for the full year
- Further solar projects have been approved to continue the greening of our portfolio and improve cost efficiencies

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<sup>1</sup> Including funds paid in the committed revolving credit facility

<sup>2</sup> Loan to value calculated based on SA REIT BPR 2019 second edition guidelines

## DECLARATION OF A CASH DIVIDEND

Notice is hereby given of a declaration of the gross final cash dividend of **10.00** cents per share for the year ended 31 December 2021 (“Cash Dividend”)

<b>Salient dates and time</b>	<b>2022</b>
Last day to trade (“LDT”) cum dividend	Tuesday, 5 April
Shares to trade ex-dividend	Wednesday, 6 April
Record date	Friday, 8 April
Payment date	Monday, 11 April

### Notes:

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

### TAX IMPLICATIONS

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

#### South African tax residents

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

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

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

#### Non-resident shareholders

Dividends received by non-resident shareholders will not be taxable as income. Instead, they will be treated as an ordinary dividend which is exempt from income tax in terms of the general dividend exemption in section 10(1)(k)(i) of the Income Tax Act. It should be noted that up to 31 December 2013 dividends received by non-residents from a REIT were not subject to dividend withholding tax. Since 1 January 2014, any dividend received by a non-resident from a REIT will be subject to dividend withholding tax at 20%, unless the rate is reduced in terms of any applicable agreement for the avoidance of double taxation (“DTA”) between South Africa and the country of residence of the shareholder concerned. Assuming dividend withholding tax will be withheld at a rate of 20%, the net dividend amount due to non-resident shareholders is **8.00** cents per share. A reduced dividend withholding rate in terms of the applicable DTA may only be relied on if the non-resident shareholder has provided the following form to their CSDP or broker in respect of uncertificated shares, or the company, in respect of certificated shares:

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

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

The company's tax reference number is: 9353785158

This short-form announcement is the responsibility of the Board and does not include full or complete details. Any investment decision should be based as a whole on the condensed unaudited consolidated interim financial results ("full announcement"), which may be downloaded from: <https://senspdf.jse.co.za/documents/2022/jse/isse/TEX/interim.pdf>

The full announcement is also available for inspection at the registered offices of the Company or its Sponsor, at no charge, during office hours for a period of 30 calendar days following the date of this announcement. The full announcement is also available on the Company's website at: <https://texton.co.za/results-presentations/>

**By order of the Board**  
**18 March 2022**

**Directors**

M Golding (*Non-executive chairman*) P Welleman\* (*chief executive officer*) P Hack\* (*chief financial officer*) JR Macey (*Lead independent non-executive*) A Hannington (*Independent non-executive*) S Thomas (*Independent non-executive*) R Franco (*Non-executive*) W van der Vent (*Independent non-executive*)

\* *Executive director*

**Company secretary**  
Motif Capital Partners,  
173 Oxford Road,  
Rosebank, 2196

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**Transfer secretaries**  
Computershare Investor Services Proprietary Limited  
2nd Floor, Rosebank Towers  
15 Biermann Avenue, Rosebank

**Sponsor**  
Investec Bank Limited  
100 Grayston Drive  
Sandown, Sandton 2196

**Auditor**  
BDO South Africa Inc.  
6<sup>th</sup> floor, 123 Hertzog Boulevard,  
Foreshore, Cape Town, 8001