
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”)

**AUDITED PRELIMINARY SUMMARISED CONSOLIDATED ANNUAL FINANCIAL RESULTS FOR
THE YEAR ENDED 30 JUNE 2022 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 R2,6 billion as at 30 June 2022 (June 2021: R3,6 billion) and our international property investment portfolio amounts to R485,1 million (June 2021: Rnil). The direct property portfolio includes commercial, industrial and retail properties, as well as a 50% share in Broad Street Mall, which was successfully sold to a third party on 24 June 2022.

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

KEY FINANCIAL RESULTS

| | Year ended 30 June 2022 | Year ended 30 June 2021 | Change % |
|-------------------------------------|----------------------------|----------------------------|-------------|
| Property revenue (R'000) | 333 206 | 441 693 | (24.6) |
| Distributable earnings (R'000) | 91 649 | 167 706 | (45.4) |
| Dividend per share (cents) | 17.00 | 37.47 | (54.6) |
| Headline earnings per share (cents) | 30.49 | 73.26 | (58.4) |
| Earnings per share (cents) | 11.19 | 57.97 | (80.7) |
| Net asset value per share (cents) | 587.28 | 588.70 | (0.2) |

HIGHLIGHTS

CAPITAL ALLOCATION

Direct property investments

- R31,2 million was invested in properties in SA to protect capital value in a rapidly changing office environment post COVID-19
- Continued investment in the development of our SME strategy, including texspace.co.za. Texspace.co.za is innovative lease offerings to SME tenants in SA, which have proven very popular for tenants looking for a flexible A-grade offering in our office parks
- Vacancies in the core SA portfolio increased to 22,3% from 10,5%, primarily driven by the non-renewal of the Transnet Ports Authority (“TNPA”) lease and other single-tenanted buildings consolidating and reducing their office space
- Collections in SA remained at a healthy 97%, with our UK portfolio at 100%.

International property investments

- Five investments were made in the current year with a total capital commitment of \$35,1 million (R573 million), of which \$28,5 million (R464,4 million) has been invested. The current market value of our investments is \$29,8 million (R485,1 million)
- \$12,5 million (R188,2 million) was invested in Blackstone Real Estate Income iCapital Offshore Access Fund SPC (“BREIT Offshore”), providing Texton with access to the US property investment market with a bias towards multi-family and industrial property investments
- \$12,0 million (R192,3 million) was allocated to the Starwood Real Estate Trust Offshore Fund SPC (“SREIT Offshore”), also providing Texton with exposure to the US property investment market with a similar bias towards multi-family and industrial property investments
- \$5,0 million (R81,5 million) was allocated to Cadre, of which \$1,1 million (R17,9 million) has been invested in three investment properties in the US with a bias towards multi-family property investments
- Two smaller commitments were made to a last mile logistics fund that specialises in environmentally friendly solutions for this sector, with a focus on the UK and an affordable housing technology-backed investment model that focuses on single-family residential letting in the US.

Share buyback

- Repurchased 9 629 914 shares at an average cost of R3,41 per share over the year. 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

- Six of the eight properties held for sale were transferred at 30 June 2021 for a total of R410 million. This brings the total asset sales over the past two years to R1,122 billion. These sales have enabled Texton to successfully recycle capital from directly held noncore assets into international property investments and to strengthen our balance sheet.
- Broad Street Mall was successfully sold in June 2022 to a third party for £57,5 million. This sale significantly unlocks value on the balance sheet.

Balance sheet management

- LTV¹ remains healthy at 37,6% at year-end, with all entities remaining within interest cover and LTV covenants
- We have no cross-currency interest rate swap (“CCIRS”) exposure
- We refinanced our UK direct property portfolio, which resulted in £2,8 million being made available for further investments
- We reduced long-term debt by R53,4 million², of which R26,5 million is a permanent decrease in our long-term debt
- Texton has R122 million cash on hand, excluding cash available in debt facilities.

OPERATIONAL EXCELLENCE

- We completed the first full financial year with our internalised property management team and internal leasing team
- 59 new leases were completed in the current year with a combined GLA of 19 607m²; the majority of these leases were leased to SME office tenants in line with our office strategy
- We increased investment in environmental, social and governance initiatives such as solar power, energy efficient lighting and water pressure management

¹ Loan to value calculated based on SA REIT BPR 2019 second edition guidelines

² Including funds paid into the committed revolving credit facility

DECLARATION OF A CASH DIVIDEND

Notice is hereby given of a declaration of the gross final cash dividend of **7.00** cents per share for the year ended 30 June 2022 (“Cash Dividend”)

| Salient dates and time | 2022 |
|--|-----------------------|
| Last day to trade (“LDT”) cum dividend | Tuesday, 18 October |
| Shares to trade ex-dividend | Wednesday, 19 October |
| Record date | Friday, 21 October |
| Payment date | Monday, 24 October |

Notes:

Shares may not be dematerialised or rematerialised between commencement of trade on Wednesday, 19 October 2022 and the close of trade on Friday, 21 October 2022 both days inclusive.

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 **5.60** 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 Summarised Consolidated Financial Results ("full announcement"), which may be downloaded from:

<https://senspdf.jse.co.za/documents/2022/jse/isse/TEX/final22.pdf>

The short-form announcement has not been audited or reviewed by the company's external auditors.

The preliminary summarised consolidated financial results are extracted from the financial statements but are not themselves audited. The consolidated financial statements for the year ended 30 June 2022 were audited by BDO South Africa Incorporated, who expressed an unmodified opinion thereon. The audited consolidated financial statements for the year ended 30 June 2022 and the auditor's report includes communication of key audit matters. Key audit matters are those matters that, in their professional judgement, were of most significance in their audit of the consolidated financial statements of the current period. The full report is available for inspection at the company's registered office and on the company's website at www.texton.co.za.

The directors take full responsibility for the preparation of these preliminary summarised consolidated annual financial results and confirm that the financial information has been correctly extracted from the consolidated financial statements.

The auditor's report does not necessarily report on all of the information contained in these preliminary summarised consolidated annual financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the company's registered office or on the company's website.

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
23 September 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

Corpstat Governance Services Proprietary Limited
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Bryanston 2191

Registered office and business address

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151 Katherine Street, Sandton, 2031

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.
6th floor, 123 Hertzog Boulevard,
Foreshore, Cape Town, 8001