



Texton Property Fund Limited
(Incorporated in the Republic of South Africa)
(Registration number: 2005/019302/06)
A Real Estate Investment Trust, listed on the JSE Limited
JSE share code: TEX
ISIN: ZAE000190542 (formerly ISIN: ZAE000185872)

Unaudited condensed consolidated interim financial results
for the six months ended 31 December 2015

Financial highlights

Dividend per share up by 15,3% from 44,68 cents to 51,52 cents per share

Investment property income up by 55,5% from R169,9 million to R264,2 million

Investment property income from UK up by 100,0% to R34,9 million

Net property income up by 37,8% from R119,6 million

Loan to value up from 34,7% to 38,4%

Net asset value down by 6,9% from 1 077,32 (June 2015) to 1 003,32

Non-financial highlights

Gross lettable area up by 21,8% from 322 007m² to 392 275m²

Government exposure on rental income down from 28,2% to 23,0%

Condensed consolidated statement of financial position as at 31 December 2015

	Unaudited 31 Dec 2015 R' 000	Unaudited 31 Dec 2014 R' 000	Audited 30 Jun 2015 R' 000
Assets			
Non-current assets	4 779 483	3 157 488	4 338 969
Investment property	4 274 383	3 140 400	4 146 385
Property, plant and equipment	11 852	7 102	8 322
Goodwill	88 630	-	77 018
Investment in joint venture	300 119	-	-
Other non-current assets	6 178	6 231	8 923
Restricted cash	98 321	-	98 321

Deferred tax	-	3 755	-
Current assets	747 687	117 021	361 287
Trade and other receivables	34 870	54 543	85 182
Investment property reclassified as held-for- sale	340 680	24 000	24 000
Income tax receivable	1 209	4 563	3 631
Restricted cash	27 157		28 089
Cash and cash equivalents	343 771	33 915	220 385
Total assets	5 527 170	3 274 509	4 700 256
Equity and liabilities			
Stated capital	2 910 877	1 409 830	2 037 921
Retained earnings	619 409	667 711	832 781
Share-based payment reserve	1 476	-	1 074
Foreign exchange translation reserve	58 131	-	9 223
Shareholders' interest	3 589 893	2 077 541	2 880 999
Non-current liabilities	1 806 743	1 120 686	1 719 760
Other financial liabilities	1 803 128	1 120 686	1 716 145
Deferred tax	3 615	-	3 615
Current liabilities	130 534	76 282	99 497
Current portion of other financial liabilities	4 317	-	30 613
Trade and other payables	126 217	76 282	68 884
Total liabilities	1 937 277	1 196 968	1 819 257
Total equity and liabilities	5 527 170	3 274 509	4 700 256
Shares in issue ('000)	357 802	208 498	267 424
Net asset value per share (cents)	1 003,32	996,43	1 077,32
Net tangible asset value less deferred tax per share (cents)	979,56	994,63	1 049,87

Condensed consolidated statement of comprehensive income
for the six months ended 31 December 2015

Six months ended Year ended

	Unaudited 31 Dec 2015 R' 000	Unaudited 31 Dec 2014 R' 000	Audited 30 Jun 2015 R' 000
Investment property income	264 178	169 918	401 181
Straight-line rental adjustment	(10 372)	7 093	9 590
Revenue	253 806	177 011	410 771
Property expenses	(88 947)	(57 406)	(127 269)
Net property income	164 859	119 605	283 502
Share of profit from joint venture	3 333	-	-
Other income	1 220	14 695	22 804
Other operating expenses	(7 675)	(2 811)	(18 630)
Asset management fees	(12 648)	(6 313)	(14 834)
Operating profit	149 089	125 176	272 842
Finance income	23 888	1 441	585
Finance costs	(51 065)	(30 541)	(77 588)
Fair value adjustments	(146 854)	(2 163)	164 242
Capital items	(58)	(114)	(114)
(Loss)/profit before income tax	(25 000)	93 799	359 967
Income tax	-	(120)	(8 063)
(Loss)/profit for the year	(25 000)	93 679	351 904
Other comprehensive income Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	48 908	-	9 223
Total comprehensive income for the year	23 908	93 679	361 127
Reconciliation of attributable income to earnings, headline earnings and distributable income			
(Loss)/earnings attributable to shareholders	(25 000)	93 679	351 904
Gain on bargain purchase	-	(13 646)	(14 071)
Gross revaluation of	102 454	-	(165 748)

investment property			
Profit on sale of property	-	-	(5 791)
Headline earnings attributable to shareholders	77 454	80 033	166 294
Weighted average number of shares ('000)	313 487	177 454	200 337
Basic and diluted (loss)/earnings per share (cents)	(7,97)	52,79	175,66
Headline earnings per share (cents)	24,71	45,10	83,01
Dividend per share (cents)	51,52	44,68	94,77
Interim dividend*	51,52	44,68	44,68
Final dividend*	-	-	50,09

*Declared subsequent to period-end.

Condensed consolidated statement of changes in equity for the six months ended 31 December 2015

	Stated capital R'000	Share-based payment reserve R'000	Foreign currency revaluation reserve R'000
Balance at 30 June 2014	945 436		
Transactions with owners of the Company recognised directly in equity			
Issue of shares	464 394		
Dividend paid			
Total comprehensive income for the period	-	-	-
Balance at 31 December 2014	1 409 830	-	-
Transactions with owners of the Company recognised directly in equity			
Issue of shares	628 091		
Dividend paid	-	-	-
Share-based payment transaction	-	1 074	-
Total comprehensive income for the period	-	-	9 223

Profit for the period	-	-	-
Exchange differences on translation of foreign operations	-	-	9 223
Balance at 30 June 2015 (Audited)	2 037 921	1 074	9 223
Transactions with owners of the Company recognised directly in equity	-	-	-
Issue of shares (net of share issue expenses)	960 775	-	-
Dividend paid	-	-	-
Share buy-back	(87 819)	-	-
Share-based payment transaction	-	402	-
Total comprehensive income for the year	-	-	48 908
Profit for the period	-	-	-
Exchange differences on translation of foreign operations	-	-	48 908
Balance at 31 December 2015	2 910 877	1 476	58 131

		Retained earnings R' 000	Total R' 000
Balance at 30 June 2014		646 880	1 592 316
Transactions with owners of the Company recognised directly in equity			-
Issue of shares			464 394
Dividend paid		(72 848)	(72 848)
Total comprehensive income for the period		93 679	93 679
Balance at 31 December 2014		667 711	2 077 541
Transactions with owners of the Company recognised directly in equity		-	-
Issue of shares			628 091
Dividend paid		(93 149)	(93 149)
Share-based payment transaction		-	1 074

Total comprehensive income for the period	258 219	267 442
Profit for the period	258 219	258 219
Exchange differences on translation of foreign operations	-	9 223
Balance at 30 June 2015 (Audited)	832 781	2 880 999
Transactions with owners of the Company recognised directly in equity	-	-
Issue of shares (net of share issue expenses)	-	960 775
Dividend paid	(188 372)	(188 372)
Share buy-back	-	(87 819)
Share-based payment transaction	-	402
Total comprehensive income for the year	(25 000)	23 908
Profit for the period	(25 000)	(25 000)
Exchange differences on translation of foreign operations	-	48 908
Balance at 31 December 2015	619 409	3 589 893

Condensed consolidated statement of cash flows for the six months ended 31 December 2015

	Six months ended		Year ended
	Unaudited 31 Dec 2015 R' 000	Unaudited 31 Dec 2014 R' 000	Audited 30 Jun 2015 R' 000
Net cash inflow from operating activities	55 582	33 832	15 669
Net cash outflow from investing activities	(728 941)	(678 040)	(518 689)
Net cash inflow from financing activities	785 712	613 674	658 271
Net increase/(decrease) in cash and cash equivalents	110 353	(30 534)	155 251
Effect of the conversion of foreign operations on cash and cash equivalents	13 033	-	685
Cash and cash equivalents at the beginning of the year	220 385	64 449	64 449
Cash and cash equivalents at	343 771	33 915	220 385

the end of the year

Distributable earnings
for the six months ended 31 December 2015

	Six months ended		Year ended
	Unaudited 31 Dec 2015 R' 000	Unaudited 31 Dec 2014 R' 000	Audited 30 Jun 2015 R' 000
Revenue	264 178	169 918	401 181
Property expenses	(88 947)	(57 406)	(127 269)
Share of profit from joint venture	3 333	-	
Other income	1 220	1 049	8 733
Bargain purchase price	-	13 646	14 071
Other operating expenses	(7 770)	(2 811)	(9 167)
Asset management fees	(12 648)	(6 313)	(14 834)
Net finance cost	(26 675)	(28 866)	(76 616)
Finance income	23 888	1 441	585
Finance cost	(51 065)	(30 541)	(77 588)
Finance cost amortisation	502	234	387
Taxation	-	(120)	(692)
Accrued distribution included in share price	27 720	-	19 583
Deconsolidation of treasury shares	-	4 052	-
Distribution of foreign exchange gain	23 915	-	-
Dividends on treasury shares	5 160	-	8 381
Realisation of property revaluation	-	-	8 059
Total distribution	189 486	93 149	231 430

Segmental analysis
as at 31 December

	South Africa			Total R' 000
	Office R' 000	Retail R' 000	Industrial R' 000	

2015

Extracts from the

statement of
comprehensive income

Investment property income	183 119	22 194	23 588	228 901
Property expenses	(65 238)	(11 467)	(11 857)	(88 562)
Segmental result	117 881	10 727	11 731	140 339

Extracts from the
statement of financial
position

Investment property	2 399 108	236 014	249 640	2 884 762
Investment property held-for-sale	243 020	58 350	39 310	340 680

2014

Extracts from the
statement of
comprehensive income

Investment property income	160 629	5 317	3 972	169 918
Property expenses	(54 305)	(2 249)	(852)	(57 406)
Segmental result	106 324	3 068	3 120	112 512

Extracts from the
statement of financial
position

Investment property	2 502 939	397 171	240 290	3 140 400
Investment property held-for-sale	24 000	-	-	-

UK

Office GBP'000	Retail GBP'000	Industrial GBP'000	Total GBP'000
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2015

Extracts from the
statement of
comprehensive income

Investment property income	25 486	7 775	2 016	35 277
Property expenses	(245)	(102)	(38)	(385)
Segmental result	25 241	7 673	1 978	34 892

Extracts from the
statement of financial
position

Investment property	717 460	232 440	439 721	1 389 621
Investment property held-for-sale	-	-	-	-
2014				
Extracts from the statement of comprehensive income				
Investment property income	-	-	-	-
Property expenses	-	-	-	-
Segmental result	-	-	-	-
Extracts from the statement of financial position				
Investment property	-	-	-	-
Investment property held-for-sale	-	-	-	-

Total

	Office R'000	Retail R'000	Industrial R'000	Total R'000
2015				
Extracts from the statement of comprehensive income				
Investment property income	208 605	29 969	25 604	264 178
Property expenses	(65 483)	(11 569)	(11 895)	(88 947)
Segmental result	143 122	18 400	13 709	175 231
Extracts from the statement of financial position				
Investment property	3 116 568	468 454	689 362	4 274 384
Investment property held-for-sale	243 020	58 350	39 310	340 680
2014				
Extracts from the statement of comprehensive income				
Investment property income	160 629	5 317	3 972	169 918

Property expenses	(54 305)	(2 249)	(852)	(57 406)
Segmental result	106 324	3 068	3 120	112 512
Extracts from the statement of financial position				
Investment property	2 502 939	397 171	240 290	3 140 400
Investment property held-for-sale	24 000	-	-	24 000

Reconciliation from segment result to profit for the year

	Total 31 Dec 2015 R'000	Total 31 Dec 2014 R'000
Segment results	175 231	112 512
Straight-line rental adjustment	(10 372)	7 093
Other income	1 220	14 695
Share of profit from joint venture	3 333	-
Other operating expenses	(7 173)	(2 811)
Asset management fees	(12 648)	(6 313)
Finance income	23 888	1 441
Finance cost	(51 065)	(30 541)
Finance cost amortisation	(502)	(234)
Fair value adjustment	(146 854)	(2 163)
Capital items	(58)	(114)
Income tax	-	(120)
(Loss)/profit for the year	(25 000)	93 679

Commentary

The board has declared an interim dividend of 51,52 cents per share which represents 15,3% growth compared to the same period the previous year. Texton's decision to invest beyond the South African borders into the United Kingdom has been a successful one. We have executed on this strategy efficiently and believe our timing into this market has been opportune, resulting in immediate benefits for our shareholders against the backdrop of a relatively muted performance from the South African portfolio.

Given the headwinds facing the global economy and South Africa, management has adopted a conservative approach to the valuation of its properties. An independent valuation was obtained on the majority of the portfolio in June 2015. The directors and management, however, have reviewed these values at 31 December 2015 and have decided to write down some of the assets to what they believe are market-related prices, given the developments in the economy over the past six months. Management remains committed

to its strategy of disposing of non-core assets and to achieve geographic and sector diversification across the portfolio.

Basis of accounting

The condensed consolidated interim financial results are prepared in accordance with International Financial Reporting Standard, IAS 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa.

The accounting policies applied in the preparation of these interim financial results are in terms of IFRS and consistent with those adopted in the financial statements for the year ended 30 June 2015. These interim condensed financial results have been prepared by Brigitte de Bruyn CA (SA).

Summary of financial performance

	Six months ended		Year ended
	Unaudited 31 Dec 2015 R'000	Unaudited 31 Dec 2014 R'000	Audited 30 Jun 2015 R'000
Number of shares in issue ('000)	357 802	208 498	267 424
Weighted average number of shares in issue ('000)	313 487	177 454	200 337
Net asset value per share (cents)	1 003,33	996,43	1 077,32
Net tangible asset value less deferred tax per share (cents)	979,56	994,63	1 049,87
Basic and diluted (loss)/earnings per share (cents)	(7,97)	52,79	175,66
Headline earnings per share (cents)	24,71	45,10	83,01
Dividend per share	51,52	44,68	94,77
Interim dividend	51,52	44,68	44,68
Final dividend	-	-	50,09
Share price (cents)	979,00	963,00	980,00
Loan to value (%)	38,4	34,7	38,8

Fair values

31 December 2015		31 December 2014	
Carrying amount	Fair value R'000	Carrying amount	Fair R'000

	R'000		R'000	
GROUP				
Financial assets				
Other non-current assets	1 377	1 377	2 469	2 469
Trade and other receivables	32 986	32 986	49 651	49 651
Restricted cash	125 478	125 478	-	-
Cash and cash equivalents	343 771	343 771	33 915	33 915
Fair value through profit or loss	6 380	6 380	-	-
	509 992	509 992	86 035	86 035
Financial liabilities				
Amortised cost	(1 864 829)	(1 864 829)	(1 122 690)	(1 122 690)
Fair value through profit or loss	(64 420)	(64 420)	(3 628)	(3 628)
	(1 929 249)	(1 929 249)	(1 126 318)	(1 126 318)

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

Fair value hierarchy

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

- Level 1: Quoted prices (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e.: as prices) or indirectly (i.e.: derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

This category also includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using valuation techniques. Valuation techniques include net present value and discounted cash flow models and comparison to similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premiums used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices, and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date, which would have been determined by market participants acting at arm's length. The Group uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives and simple over-the-counter derivatives like interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values.

Investments at fair value in Level 3 represents investment properties and investment properties held-for-sale. All fair value adjustments were accounted for in profit or loss.

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

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

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
GROUP				
31 December 2015				
Financial instrument				
Interest rate swap	-	6 380	-	6 380
Currency swap	-	64 420	-	64 420
Investment properties			4 240 096	4 240 096
Investment property held-			340 680	340 680

for-sale

31 December 2014

Financial instrument

Interest rate swap	-	3 628	-	3 628
Investment properties	-	-	3 140 400	3 140 400
Investment property held-for-sale	-	-	24 000	24 000

Property profile

Debt maturities profile

	Facility		Fixed %	Drawn down Floating		Total drawn down R' 000
	R' 000	R' 000		R' 000	%	
South Africa						
FY 2017	502 490	-	-	199 309	41,1	199 309
FY 2018	385 426	-	-	285 326	58,9	285 326
	887 916	-	-	484 635	100,0	484 635
UK						
FY 2018	624 251			624 251	56,1	624 251
FY 2020	488 739	488 739	43,9			488 739
	1 112 990	488 739	43,9	624 251	56,1	1 112 990
Total	2 000 906	488 739		1 108 886		1 597 625

Interest rate swap maturity profile

Expiry	R' 000	Nominal rate %
14 December 2016	150 000	7,26
22 March 2017	103 000	7,12
22 March 2017	102 000	7,12
17 July 2017	200 000	7,12
	555 000	

Currency swap

Expiry	R' 000	GPB' 000	Bank pays %	We pay %
08/12/2020	350 560	16 000	11,0	3,810
21/12/2020	102 269	4 525	11,0	3,690

Net property income

The increase in revenue of 37,8% from the prior comparable period was largely due to the effects of contractual rental escalations and the property acquisitions.

The ratio of gross property expenses to investment property income (rental income including recoveries from tenants) has decreased slightly from 33,8% to 33,7% in the current year.

Asset management fees

The asset management function is performed by Texton Property Investments Proprietary Limited and the day-to-day property management function was performed by JHI Properties Proprietary Limited and Kuper Legh Property Management Proprietary Limited. As part of a business consolidation programme as at 1 January 2016, the entire South African portfolio was moved to Kuper Legh Property Management Proprietary Limited. With recent acquisitions in the United Kingdom, Texton appointed Moorgarth Property Management Limited and Argo Real Estate Limited, who also have a history of managing the properties that were acquired, as property managers. The board is considering consolidation of its property management functions in the UK as part of its overall strategy to improve operational efficiencies in the business.

The increase in fees is attributable to the increased enterprise value on which the fee is calculated as a result of the property acquisitions.

Fair value adjustments

The majority of the property portfolio was independently valued at 30 June 2015, however, the directors and management believed that the South African property portfolio should be revalued at 31 December 2016. Currency and interest rate swap agreements were fair valued using the yield curve at 31 December 2015, resulting in an increase in the currency liability of R64,4 million (2014: Rnil) and a decrease of the interest rate liability of R6,5 million.

Currency

The closing exchange rate at 31 December 2015 was R22,79:1GBP and the average exchange rate for the six months ended 31 December 2015 was R20,85:1GBP.

Finance income and finance costs

Finance income of R23,9 million was earned mainly as a result of investing the proceeds of the R986 million rights offer in October 2015. Any cash drag as a result of the equity raise was for a limited period as a result of investments that occurred in and post the review period and has been further mitigated through the entering into of currency swaps where interest earned exceeds the cost of equity. Proactive equity raises are required in order to succeed in the UK market, which is dependent on ability to execute transactions on fast turnaround times.

Finance costs increased by 67,2% to R51,1 million (2014: R30,3 million), as a result of the increased portfolio.

Properties held-for-sale

During the period, the Company earmarked 19 non-core properties totalling R340,7 million for sale. Negotiations for the sale of the total 51 295m2 of GLA are at an advanced stage.

Acquisitions/Business combinations

Much work has been done on implementing our UK strategy. In July 2015, Texton made its biggest acquisition to date when, through a new vehicle domiciled in Luxembourg, Inception Reading Sarl, it acquired 50% of the Broad Street Mall in Reading. This asset was acquired in a joint venture with JSE-listed Tradehold. The total value of the Mall was £62,250 million (excluding acquisition costs of approximately £3,124 million) The investment has been accounted for as a joint venture under IFRS 11 and accounted for under the equity method.

On 23 December 2015, Texton took transfer of the Bawtry building from DHL for an acquisition price of £17 million (excluding VAT). The acquisition was accounted for as a business combination:

Purchase price (R'000)	392 938
Property GLA (m2)	25 294
Acquisition yield (%)	6,45%
Property lease escalation (%)	Upwards only, compounded at 2% p.a.
Net assets acquired	R'000
Investment property	392 938
VAT receivable	73 659
Income received in advance	(6 646)
Net assets acquired	459 951
Net cash paid	(459 951)

Borrowings

At 31 December 2015, the Fund had a loan to value of 38,4% (2014: 34,7%). The Company remains capitalised to take advantage of yield-enhancing acquisitions. The Company currently has an average cost of debt of 8,29% (2014: 8,27%) on its South African debt and 3,51% (2014: 0%) on its UK debt.

Rights offer

On 7 October 2015, Texton issued 100 000 000 new Texton shares in the ratio of 36,22312 for every 100 Texton shares held. The shares were placed at an issue price of R9,86 per rights offer share. The equity was raised with the intention of decreasing its loan-to-value ratio and providing the opportunity to pursue investment opportunities in the UK and SA, in line with its growth strategy.

Repurchase of shares

In December 2015, Texton repurchased 8 276 143 shares at R9,00. These shares are held as treasury shares.

Prospects

Despite the difficult economic climate, the portfolio continues to perform well and we are committed to achieving double-digit distribution growth for the full year to 30 June 2016. The Company is expected to continue to benefit from its offshore strategy via accretionary transactions and the softer Rand. The Company has a solid pipeline of acquisitions and we will continue to focus on our strategy of growing Texton with yield-enhancing assets, while improving the overall quality of the portfolio. This reporting period has seen the positive effect of the new strategies reported previously, which we expect to continue benefiting the Company into the future.

This prospects statement has not been reviewed or reported on by the Company's independent external auditors.

Cash dividend

Notice is hereby given of the declaration of the final dividend number 9 of 51,52 cents per share for the interim six-month period to 31 December 2015. The dividend has been declared from income reserves.

Texton's income tax reference number: 9353785158.

Issued shares as at 23 February 2016: 357 802 118.

Summary of the salient dates relating to the cash distribution is as follows:

Declaration date	Tuesday, 23 February 2016
Last date to trade in order to participate in the cash dividend	Wednesday, 16 March 2016
Shares to trade ex-dividend	Thursday, 17 March 2016
Record date	Thursday, 24 March 2016
Payment date	Tuesday, 29 March 2016

Shares may not be dematerialised or rematerialised between Wednesday, 17 March 2016 and Thursday, 24 March 2016, both dates inclusive.

Tax implications for South African resident shareholders

Dividends 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 the income tax in terms of the exclusion to the general dividend exemption contained in section 10(1)(k)(i)(aa) of the Income Tax Act, because they are dividends distributed by a REIT. These dividends are however exempt from dividend withholding tax (Dividend Tax) in the hands of South African resident shareholders provided that the South African resident shareholders have provided to the Central Securities Depository Participant (CSDP) or broker, as the case may be, in respect of uncertificated shares, or the company, in respect of certificated shares, a DTD(EX) (Dividend Tax: Declaration and undertaking to be made by

the beneficial owner of a share) form to prove their status as South African residents.

If resident shareholders have not submitted the abovementioned documentation to confirm their status as South African residents, they are advised to contact their CSDP or broker, as the case may be, to arrange for the documents to be submitted prior to the payment of the dividend.

Tax implications for non-resident shareholders

Dividends received by non-resident shareholders from a REIT will not be taxable as income and instead will be treated as ordinary dividends which are exempt from income tax in terms of the general dividend exemption section 10(1)(k) 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 Tax. With effect from 1 January 2014, any dividend received by a non-resident from a REIT will be subject to Dividend Tax at 15%, 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 non-resident shareholder.

Assuming dividend withholding tax will be withheld at a rate of 15%, the net amount due to non-resident shareholders will be 43,7920 cents per share. A reduced dividend withholding tax rate in terms of the applicable DTA may only be relied on if the non-resident shareholder has provided the following forms to their CSDP or broker, as the case may be, in respect of uncertificated shares, or the company, in respect of certificated shares:

- declaration that the dividend is subject to a reduced rate as a result of the application of the DTA; and
- written undertaking to inform the CSDP broker or the company, as the case may be, 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 of the South African Revenue Services.

If applicable, non-resident shareholders are advised to contact the CSDP, broker or the company, as the case may be, to arrange for the abovementioned documents to be submitted prior to payment of the dividend if such documents have not already been submitted.

On behalf of the board

PD Naidoo	AN de Rauville
Chairman	Chief Executive Officer

23 February 2016

Board of directors

PD Naidoo (Chairman), AN Du Hecquet de Rauville (Chief Executive Officer), B de Bruyn (Financial Director - appointed 1 November 2015), NV Balfour, KR Collins (alternate - appointed 3 November 2015), JA Legh, JR Macey, N Morris (Chief Operating Officer - appointed 1 January 2016), PM Tau-Sekati (Lead independent), TS Sishuba, KN Vundla, MJ van Heerden, JD Wiese (appointed 3 November

2015), RB Makhubela (appointment to the board not ratified at AGM on 17 November 2015)

Company secretary: CIS Company Secretaries Proprietary Limited (N Toerien)

Sponsor: Investec Bank Limited Transfer secretary: Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg, 2001

Physical/Registered and postal address: 54 Bompas Road, Dunkeld West, 2196 PO Box 41394, Craighall Park, 2024

Telephone number: +27 11 731 1980

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