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)

www.texton.co.za

Condensed consolidated financial results for the year ended 30 June 2017

Financial highlights
- Rebased dividend per share 102,80 cents (2016: 96,99 cents) up 6,0%
- Dividends per share 102,80 cents (2016: 103,68) down 0,8%
- Net asset value* 952,34 cents (2016: 1 006,81) cents down 5,4%
- Revenue R598,8 million (2016: R572,2 million) up 4,6%
- Net property income R440,8 million (2016: R400,7 million) up 10,0%
- LTV ratio on Investment Property 38,9% (June 2016: 37,2%)

Non-financial highlights
- Gross lettable area (GLA)** 407 803 m2 (June 2016: 427 831m2) down 4,7%
- National/listed/blue chip tenants (by GLA)** 61,9% (2016: 57,6%) up 7,5%
- Vacancies (by GLA)** 4,9% (2016: 9,0%) down 45,6%
- Portfolio value** R5 508 billion (2016: R5 774 billion) down 4,6%

* Net tangible asset value less deferred tax
** Including Broad Street Mall

Condensed consolidated statement of financial position as at 30 June 2017

	Reviewed as at 30 June 2017 R'000	Audited as at 30 June 2016 R'000
Assets		
Non-current assets	5 237 499	5 498 451
Investment property	4 836 757	4 991 066
Property, plant and equipment	13 660	10 778
Investment in joint venture	247 906	262 938
Other financial assets	72 565	132 108
Other non-current assets	10 319	8 027
Restricted cash	56 292	93 534
Current assets	310 193	324 569
Trade and other receivables	46 031	38 659
Investment property reclassified as held for sale	100 750	133 000
Income tax receivable	3 835	3 781
Restricted cash	5 153	25 134
Cash and cash equivalents	154 424	123 995
Total assets	5 547 692	5 823 020
Equity and liabilities		
Equity		

Stated capital	2 848 404	2 906 923
Retained earnings	743 054	788 906
Share-based payment reserve	47	1 074
Foreign exchange translation reserve	(270 131)	(102 579)
Shareholders' interest	3 321 374	3 594 324
Non-current liabilities	1 415 849	1 932 586
Other financial liabilities	1 400 896	1 928 971
Deferred tax	14 953	3 615
Current liabilities	810 469	296 110
Current portion of other financial liabilities	720 742	215 429
Trade and other payables	89 727	80 681
Total liabilities	2 226 318	2 228 696
Total equity and liabilities	5 547 692	5 823 020
Shares in issue ('000)*	350 328	357 362
Net asset value per share (cents)	948,08	1 005,79
Net tangible asset value less deferred tax per share (cents)	952,34	1 006,81
*Excludes treasury and share trust shares.		
Total number of shares in issue	376 067	376 067
Less: Share incentive scheme	(10 429)	(10 429)
Less: Treasury shares	(15 310)	(8 276
Shares in issue	350 328	357 362

* Includes deferred tax on capital allowances to be held as DTL until property disposed of.

Condensed consolidated statement of comprehensive income
for the year ended 30 June 2017

	Reviewed year ended 30 June 2017 R'000	Audited year ended 30 June 2016 R'000
Investment property income	589 165	561 362
Straight-line rental adjustment	9 664	10 871
Revenue	598 829	572 233
Property expenses	(158 068)	(171 521)
Net property income	440 761	400 712
(Loss)/profit from joint venture	(1 613)	5 053
Other income	5 581	2 033
Other operating expenses	(17 623)	(11 253)
Foreign exchange gains/(loss)	35 711	(10 695)
Asset management fees	(25 610)	(27 908)
Operating profit	437 207	357 942
Finance income	97 665	84 877
Finance costs	(159 520)	(130 820)
Fair value adjustments and impairments	(47 642)	11 945
Capital items	(8 522)	(52)
Profit before income tax	319 188	323 892
Income tax	(14 326)	-
Profit for the year	304 862	323 892

Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(167 552)	(111 802)
Total comprehensive income for the year	137 310	212 090
Headline earnings		
Earnings attributable to shareholders	304 862	323 892
Revaluation of investment property	108 450	43 519
Goodwill impairment	-	77 018
Headline earnings attributable to shareholders	413 312	444 429
Earnings attributable to shareholders		
Weighted average number of shares ('000)	351 633	335 208
Basic and diluted earnings per share (cents)**	86,70	96,62
Headline earnings per share (cents)**	117,54	132,58
Dividend per share (cents)	102,80	103,68
Interim dividend	47,95	51,52
Final dividend*	54,85	52,16

* Declared subsequent to period end.
** Calculated on the weighted average number of shares.

Condensed consolidated statement of cash flow
for the year ended 30 June 2017

	Reviewed year ended 30 June 2017 R'000	Audited year ended 30 June 2016 R'000
Cash flows from operating activities		
Cash generated from operations	554 858	417 205
Finance income received	72 745	63 713
Finance costs paid	(144 468)	(124 991)
Dividends paid	(350 714)	(367 767)
Income tax paid	(3 047)	(266)
Net cash inflow/(outflow) from operating activities	129 374	(12 106)
Cash flows from investing activities		
Additions to property, plant and equipment	(8 232)	(6 685)
Additions to investment property	(6 841)	(15 442)
Proceeds on disposal of investment property	163 400	24 000
Additions to other non-current assets	(5 545)	(1 986)
Investment in joint venture	-	(119)
Acquisition of business combinations, net of cash acquired	(282 692)	(1 103 302)
Loans advanced to joint venture	(16 345)	(231 057)
Repayments from joint venture	13 191	-
Net cash outflow from investing activities	(143 064)	(1 334 591)
Cash flows from financing activities		

Proceeds on share issue	-	943 556
Treasury shares acquired	(58 519)	(74 554)
Premiums paid on hedging instruments	(11 681)	-
Proceeds from other financial liabilities	851 745	374 061
Repayments of other financial liabilities	(772 835)	-
Net cash inflow from financing activities	8 710	1 243 063
Decrease in cash and cash equivalents for the year	(4 980)	(103 634)
Cash and cash equivalents at the beginning of the year	123 995	220 385
Effect of exchange rate movement on cash and cash equivalents	(6 945)	(4 479)
Release of restricted cash	42 354	11 723
Cash and cash equivalents at the end of the year	154 424	123 995

Reconciliation from segment result to profit for the year
for the year ended 30 June 2017

	Reviewed year ended 30 June 2017 R'000	Audited year ended 30 June 2016 R'000
Segment results	431 097	389 841
Straight-line rental adjustment	9 664	10 871
Other income	5 581	2 033
(Loss)/profit from joint venture	(1 613)	5 053
Other operating expenses	(17 623)	(11 253)
Foreign exchange gain/(loss)	35 711	(10 695)
Asset management fees	(25 610)	(27 908)
Finance income	97 665	84 877
Finance cost	(159 520)	(130 820)
Fair value adjustment	(47 642)	11 945
Capital items	(8 522)	(52)
Income tax*	(14 326)	-
Profit for the year	304 862	323 892

* Includes deferred tax on capital allowances to be held as DTL until property disposed of.

Distributable earnings
for the year ended 30 June 2017

	Reviewed year ended 30 June 2017 R'000	Audited year ended 30 June 2016 R'000
Investment property income	589 165	561 362
Property expenses	(158 068)	(171 521)
(Loss)/profit from joint venture	(1 613)	5 053
Non-cash items included in loss from joint venture	5 217	-
Other income	5 581	2 033

Other operating expenses	(17 623)	(21 948)
Asset management fees	(25 610)	(27 908)
Net finance cost	(58 801)	(43 496)
Finance income	97 665	84 877
Finance cost	(159 520)	(130 820)
Finance cost amortisation	3 054	2 447
Accrued distribution included in share price	–	29 784
Distribution of foreign exchange gain	22 586	37 369
Dividends on treasury shares	25 767	19 166
Total distribution	386 601	389 894

Condensed consolidated statement of changes in equity
for the year ended 30 June 2017

	Stated capital R'000	Share-based payment reserve R'000	Foreign currency revaluation reserve R'000	Retained earnings R'000	Total R'000
Balance at 30 June 2015 (Audited)	2 037 921	1 074	9 223	832 781	2 880 999
Transactions with owners of the Company recognised directly in equity					
Issue of shares	943 556	–	–	–	943 556
Dividend paid	–	–	–	(367 767)	(367 767)
Treasury shares acquired	(74 554)	–	–	–	(74 554)
Total comprehensive income for the year	–	–	(111 802)	323 892	212 090
Profit for the year	–	–	–	323 892	323 892
Exchange differences on translation of foreign operations	–	–	(111 802)	–	(111 802)
Balance at 30 June 2016 (Audited)	2 906 923	1 074	(102 579)	788 906	3 594 324
Transactions with owners of the Company recognised directly in equity					
Dividend paid	–	–	–	(350 714)	(350 714)
Treasury shares acquired	(58 519)	–	–	–	(58 519)
Share-based payments transactions	–	(1 027)	–	–	(1 027)
Total comprehensive income for the year	–	–	(167 552)	304 862	137 310

Profit for the year	-	-	-	304 862	304 862
Exchange differences on translation of foreign operations	-	-	(167 552)	-	(167 552)
Balance at 30 June 2017 (Reviewed)	2 848 404	47	(270 131)	743 054	3 321 374

Commentary

Nic Morris, the outgoing CEO said:

"2017 proved to be a challenging year for the South African and UK economies, with more uncertainty creeping into the global financial system. In the UK, the snap election in June 2017 saw the currency weakening and in South Africa, the appointment of a new finance minister has added increased political risk to the economy which will impact further on strained growth expectations on the various rating agency downgrades.

2017 has seen Texton continue to pursue its diversification strategy, both geographically and sectorally. In South Africa during the year under review, five non-core properties with a total value of R163,4 million were disposed of, and deals were agreed for a further nine disposals valued at R100,8 million, reducing the number of properties in the portfolio by 14, thereby achieving the stated objective of disposing of non-core assets.

In the UK, two properties, one industrial and one office, were acquired, valued at circa £16,2 million, further improving geographical diversification, and enhancing returns in line with expectations. These acquisitions emphasise Texton's focus on investing in properties yielding greater than 6,5% with long-term leases and high-quality tenants.

Brexit and the downgrade of South African Sovereign risk has made for a tough business environment, however on a positive note, the value of the Rand has remained resilient due to positive sentiment towards emerging markets. Given the uncertainty in forecasting currency movements, the Company has approached currency and interest rate hedging conservatively.

The Company's strategy remains unchanged and management continue to seek opportunities for investment in the UK. The UK pipeline is strong and deals with counterparties have not been materially affected by economic uncertainty, although valuations are under pressure."

Key performance indicators

As communicated in last year's annual results announcement, Texton's strategy is focused around diversification of the portfolio both by sector and geographically. Management has continued to implement the strategy through disposal of non-core assets in South Africa and acquisitions in the United Kingdom. Acquisitions have been funded through debt and proceeds generated from disposal of non-core assets.

Texton's current portfolio, split by value, is 61,0% South Africa and 39,0% United Kingdom (including our portion of Broad Street Mall).

The vacancy rate of 4,9% (2016: 9,0%) has improved significantly.

The weighted average lease expiry is 4,2 years (2016: 5 years).

Acquisitions

During the year two properties were acquired in the United Kingdom.

- On 17 August 2016 the Company acquired an office building (Mowbray House) situated in Nottingham, England. The gross lettable area measures 5 360m2, all of which is occupied by a single tenant, Browne Jacobson LLP, with a lease that expires in November 2021.

The purchase price of the property was R173,1 million, which was cash settled.

- On 17 August 2016 the Company acquired an industrial building (Heapham Road) situated in Gainsborough, England. The gross lettable area measures 7 912m2, all of which is occupied by a single tenant, Coveris Flexibles UK Limited, with a lease that expires in January 2026.

The purchase price of the property was R112,2 million which was cash settled.

Disposals

Progress has been made in rationalising the SA portfolio, and in line with Texton's stated strategy of disposing of non-core properties we have successfully sold the following properties to various vendors:

Property name	Sector	GLA m2	Date of transfer	Cost price R'000	Sales price R'000
Vodacom Park and Linger Longer	Office/Retail	5 698	26 September 2016	49 300	71 000[1]
Perseus Park	Office	13 837	16 November 2016	60 700	61 900
Murrayfield Forum	Office	1 417	8 December 2016	6 700	3 500
Standard Bank Randburg	Office	8 144	15 December 2016	24 500	27 000
Total		29 096		141 200	163 400

1 The sales price is the combined price for both the Vodacom properties.

Transformation

Texton's BEE shareholding is currently at 17,8%. The Fund achieved a Level 5 rating and has initiatives in place to improve this rating in line with Property sector codes.

It has always been Texton's intention to prioritise an Enterprise Development strategy in line with the ambits of the Property Charter. In November 2016, Texton committed to support small to medium sized black-owned businesses who were entrants to the property and general business sectors. This was initiated through the utilisation of 332m2 vacant office space at Investment Place by creating an entrepreneur hub in a serviced office space. There was a significant uptake of space and as at year end this space is fully let with 82% of the space occupied by Level 1 and 2 contributors. Due to the successful implementation of this, Texton is considering the roll-out of a similar initiative at Vunani Office Park.

Greening
Greening is an important element of our business and the portfolio of assets is kept under constant review, as part of Texton's ongoing greening strategy. During the year, a smart metering initiative was approved and rolled out across 33 properties within the portfolio.

Texton is currently considering the implementation of a solar power initiative at Kempstar Mall. The site has been identified as an excellent opportunity given a number of factors including the energy consumption (load profile), large roof surface and exposure to the sun.

Basis of preparation
The condensed consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports and the requirements of the Companies Act of South Africa. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of the International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting.

The accounting policies applied in the preparation of the condensed consolidated financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements. The definitions of capital items and related adjustments are included in the accounting policies in the June 2016 Annual Financial Statements. There were no standards and amendments to standards with a material impact on the condensed consolidated financial statements that are relevant to and become effective for the first time in Texton's financial year commencing 1 July 2016.

The condensed consolidated financial statements are presented in Rand, which is the company's functional currency and the Group's presentation currency, rounded to the nearest thousand.

These results have been compiled under the supervision of the Acting Chief Financial Officer, Jo-Ann Pohl CA(SA), ACCA.

Review report of the Independent Auditor
The condensed consolidated financial statements for the year ended 30 June 2017 have been reviewed by KPMG Inc., who expressed an unmodified review conclusion. The auditor's report does not necessarily report on all the information contained in this announcement. 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 issuer's registered office.

Fair value
In terms of lAS 39: Financial Instruments: Recognition and Measurement and IFRS 7, the Group's currency and interest rate derivatives are measured at fair value through profit or loss and are categorised as Level 2. The fair value of the currency derivatives was R82,9 million and the fair value of the interest rate liability derivative was R1,8 million. These fair values were determined using valuation techniques that present value the net cash flows. These cash flows are

based on observable market data. There were no transfers between Levels 1, 2 and 3 during the period. The valuation methods applied are consistent with those applied in preparing the previous consolidated financial statements. The carrying value of all other financial assets and liabilities approximate their fair value.

Business combinations

During the period,the Group acquired 100% of the issued shares of two companies, Malabar Investment Holdings Limited (Mowbray House) and Ganix Investment Holdings Limited (Heapham Road) in the United Kingdom valued at circa £16,2 million. Transaction costs amount to R6,5 million. The main business of each of the companies was to own a single investment property. These were as follows:

Details	Location	Transfer date	Acquisition price Rm	GLA m2	Yield %	Rental escalation* %
Mowbray House	Nottingham, UK	17 August 2016	173,1	5 360	7,5	3
Heapham Road	Gainsborough, UK	17 August 2016	112,2	7 912	6,7	2,5

* Fixed annual increases that take effect every five years to provide uplifts.

	Mowbray House R'000	Heapham Road R'000	Total R'000
Purchase price	173 085	112 234	285 319
Net assets acquired			
Investment property	173 306	112 108	285 414
Cash and cash equivalents	1 454	1 173	2 627
Trade and other receivables	308	245	553
Trade and other payables	(164)	(142)	(306)
Income received in advance	(1 306)	(832)	(2 138)
VAT	(513)	(318)	(831)
Net assets acquired	173 085	112 234	285 319
Cash acquired	(1 454)	(1 173)	(2 627)
Net cash outflow	171 631	111 061	282 692
Revenue since acquisition	9 034	6 350	15 384
Revenue for the full period	13 541	9 038	22 579
Operating profit since acquisition - attributable to Group	7 479	5 172	12 651
Operating profit for the full period	10 518	7 077	17 595

Stated capital and shares repurchased

There are 376 066 766 ordinary shares of no par value in issue (2016: 376 066 766). The Group accounts for 10 428 348 shares which were issued to the staff incentive scheme trust as treasury shares (2016: 10 428 348). During the period 2 to 20 September 2016, a subsidiary of Texton, Discus House Proprietary Limited, repurchased 7 034 133 shares at an average price of R8,31, bringing the total treasury shares held to 15 310 276 (2016: 8 276 143).

The Company's share structure is in line with international best practice for REITs.

Currency

The closing exchange rate at 30 June 2017 was R17,04:1GBP (2016: R19,58:1GBP) and the average exchange rate for the year ended 30 June 2017 was R17,26:1GBP (2016: R21,47:1GBP).

Borrowings

At 30 June 2017 the Fund had a loan to value ratio of 38,91% (2016: 37,20%). The calculation of loan to value was based on interest-bearing borrowings for investment property included in other financial liabilities (excluding the fair value of the interest rate swaps) of R1 926 million (2016: R1 912 million) and the value of investment property, excluding Broad Street Mall, of R4 951 million (2016: R5 135 million). The Fund remains capitalised to take advantage of yield-enhancing acquisitions. The Fund has an average cost of debt of 9,13% on its South African debt at 3,17% on its United Kingdom debt.

Events after the reporting date

Internalisation of the Asset Management function (Manco Internalisation). As set out in the announcement released on SENS on Thursday, 9 March 2017 and further announcements on Friday, 21 July 2017, and Tuesday, 29 August 2017, the Parties have agreed, in terms of the Cancellation, Cession, Delegation and Sale Agreement, that the Asset Management Agreement be cancelled with Texton Property Investments Proprietary Limited (TPI), the external asset management company.

The Manco Internalisation will take place through the cancellation of the Asset Management Agreement, cession and delegation of TPI's rights in and to the Contracts to Texton and sale of the Assets to Texton and the assumption by Texton of all future operating costs associated with the performance of the asset management function, including staff costs, in consideration for which Texton will make a cash payment to Texton Property Investments of R180 million (excluding VAT, if applicable). The Manco Internalisation will be accounted for in terms of IFRS 3: Business Combinations. The financial effect cannot yet be estimated.

In South Africa deals have been agreed for a further nine disposals valued at R100,8 million, thereby achieving the stated objective of disposing of non-core assets.

Property name	Sector	GLA m2	Expected transfer date	Cost price R'000	Sales price R'000
54 Bompas Road	Commercial	750	October 2017	10 061	13 500
Mabe Business Park	Commercial	1 642	August 2017	24 500	8 000
Elsecar	Industrial	1 252	September 2017	4 690	4 800
Westsands	Industrial	1 363	September 2017	4 341	4 500
Prairie	Industrial	2 325	September 2017	4 157	7 100
Verona	Industrial	3 933	September 2017	7 981	9 500

Eastsands	Industrial	2 853	September 2017	12 047	8 600
Electron	Industrial	1 183	August 2017	7 752	2 500
Benstra	Commercial	7 818	August 2017	41 200	42 250
Total		23 119		116 729	100 750

The directors are not aware of any other matters or circumstances arising subsequent to 30 June 2017 that require any additional disclosure or adjustment to the financial statements.

Prospects

Nosiphiwo Balfour, the incoming CEO said:

"Low economic growth associated with the current South African environment coupled with economic uncertainty in the UK will continue to create a challenging operating environment for Texton. Whilst the Company is defensively positioned, the downward pressure on rentals, combined with a sluggish economy impacting tenants, will have to be closely monitored and efficiently managed.

The Fund has been focused on active asset management to ensure tenant retention and improved efficiencies and major vacancies that were a concern in the previous period have been filled, which has led to the vacancy rate reducing from 9,0% to 4,9%. We are aiming to increase exposure to prime industrial assets in South Africa and alongside reducing our office space we recognise that from an acquisition perspective high-yield assets in the commercial sector are limited. Over the past year the Fund has reduced exposure to smaller assets, below R50 million threshold, which are management intensive, and this has assisted our cost base.

We are confident that our team will rise to the challenge of renewing existing leases and attracting new tenants with strong covenants. By June 2018, 30% of the lease agreements (by GLA) expire and there is a big emphasis on concluding new leases and renewals at a positive reversion rate knowing that the macroeconomic environment remains pressurised. The finalisation of the Manco Internalisation will align the Fund with best practice and we hope to realise further cost efficiencies. We expect it to remain a challenging operating environment; however we have positioned the portfolio defensively. Texton is poised to continue to deliver distribution growth in line with its diversification strategy."

Cash dividend

Notice is hereby given of the declaration of the final dividend number 12 of 54,85 cents per share for the final six-month period to 30 June 2017, bringing the total dividend for the year ended 30 June 2017 to 102, 80 cents per share (2016: 103,68). The dividend has been declared from income reserves.

The dividend for the year, although decreasing by 0,8%, represents a 6,0% growth compared to the rebased dividend reported on in the prior year.

Texton's Income Tax Reference Number: 9353785158.
Issued shares as at 4 September 2017: 376 066 766.

Salient dates

Dividend declaration date	Monday, 4 September
Last date to trade	Tuesday, 19 September
Shares trade ex-dividend	Wednesday, 20 September

Record date	Friday, 22 September
Payment date	Tuesday, 26 September

Share certificates may not be dematerialised or rematerialised between 20 September 2017 and 22 September 2017, both dates inclusive.

Tax treatment

In accordance with Texton' status as a REIT, shareholders are advised that the dividends meet the requirements of a "qualifying distribution" for the purposes of section 25BB of the Income Tax Act, No. 58 of 1962 ("Income Tax Act"). The dividends 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.

The 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 income tax (in terms of the exclusion to the general dividend exemption, contained in paragraph (aa) of section 10(1)(k)(i) of the Income Tax Act) because they are dividends distributed by a REIT. These dividends are, however, 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 their 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) a declaration that the dividend is exempt from dividends tax; and
b) a written undertaking to inform the CSDP, broker or the company, as the case may be, 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, as the case may be, to arrange for the abovementioned documents to be submitted prior to payment of the dividends, if such documents have not already been submitted.

Dividends received by non-resident shareholders will not be taxable as income in South Africa and instead 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. Assuming dividend withholding tax will be withheld at a rate of 20%, the net dividend amount due to non-resident shareholders is 38.3600 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 forms to their CSDP or broker, as the case may be, 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 a DTA; and

b) a written undertaking to inform their 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 for the South African Revenue Service. Non-resident shareholders are advised to contact their CSDP, broker or the company, as the case may be, to arrange for the abovementioned documents to be submitted prior to payment of the dividends if such documents have not already been submitted, if applicable.

Changes to executive management and the board of directors

In compliance with paragraph 3.59 of the Listings Requirements of the JSE Limited, the Texton board of directors (Board) announced the appointment of Nosiphiwo Balfour to the position of Chief Executive Officer (CEO), effective 17 July 2017. Nosiphiwo has been an independent non-executive director of Texton since 30 June 2014. Following the appointment of Nosiphiwo, Nic Morris stepped down as CEO of the Company and as an executive director of the Board, effective 17 July 2017, but remained employed by Texton Property Investments Proprietary Limited until 30 August 2017 to facilitate a smooth transition for the new CEO. Texton has appointed Inge Pick as the Chief Financial Officer (CFO), effective 18 September 2017. Inge is a qualified Chartered Accountant (SA) and has a wealth of financial and strategic management experience at a senior level in the REIT sector. In addition, the following changes have been made to the Board.

The directors of Texton (the Board) hereby notifies its shareholders of the following additional changes which occurred during the year: Angelique de Rauville (CEO) resigned 1 December 2016; Brigitte de Bruyn (Financial Director) resigned on 30 June 2017; Shaheeda Mia was appointed as an independent non-executive director on 13 July 2017, member of the Audit and Risk Committee and the Chair of the Social and Ethics Committee; Patrick Ntshalintshali resigned as a member of the Audit and Risk Committee on 13 July 2017; Kyansambo Ntombi Vundla was appointed as the Chair of the Remuneration Committee on 18 August 2017; and John Macey was appointed as the Lead Independent Director with effect from 31 August 2017.

The Board is well positioned to comply with the recommendations of King IV.

SA property profile

SA sector	2017 %	2016 %
Revenue		
Office	72,7	77,2
Retail	16,5	13,3
Industrial	10,8	9,5
GLA		
Office	61,1	63,4
Retail	11,4	10,8
Industrial	27,5	25,8

UK property profile

UK sector	2017 %	2016 %

Revenue		
Office	27,3	22,7
Retail	39,6	40,9
Industrial	33,1	36,4
GLA		
Office	24,6	22,6
Retail	29,4	29,1
Industrial	46,0	48,3

SA lease expiry profile

	GLA %	Revenue per month %
Revenue		
2017 Vacant	5,4	0,0
2018	33,9	42,0
2019	16,5	15,4
2020	14,8	13,8
>2020	29,4	28,8

UK lease expiry profile

	GLA %	Revenue per month %
Revenue		
2017 Vacant	3,5	0,0
2018	2,3	3,8
2019	1,4	2,3
2020	0,7	1,1
>2020	92,1	92,8

Operating segments

The Group has six reportable segments based on the geographic split which are the group’s strategic business segments. The geographic segments are split between office, retail and industrial.

For each strategic business segment, the Group’s CEO (who is considered the Chief Operating Decision Maker) reviews internal management reports on at least a monthly basis. Segments are located in South Africa and the United Kingdom. There are no single major customer concentration risks.

	SA			
	Office R’000	Retail R’000	Industrial R’000	Total R’000
2017				
Extracts from the statement of comprehensive income				
Investment property income	361 655	65 863	50 329	477 847
Property expenses	(110 354)	(22 311)	(22 062)	(154 727)
Net property income	251 301	43 552	28 267	323 120
Extracts from the				

statement of financial position				
Investment property				
Investment property	2 491 413	457 590	295 862	3 244 865
Property, plant and equipment	13 587	15	58	13 660
Non-current assets held-for-sale	63 750	–	37 000	100 750
Property valuation	2 568 750	457 605	332 920	3 359 275
2016				
Extracts from the statement of comprehensive income				
Investment property income	369 239	46 563	46 610	462 412
Property expenses	(128 961)	(19 862)	(20 116)	(168 939)
Net property income	240 278	26 701	26 494	293 473
Extracts from the statement of financial position				
Investment property	2 606 332	467 744	316 017	3 390 093
Property, plant and equipment	10 750	5	23	10 778
Investment property held-for-sale	133 000	–	–	133 000
Property valuation	2 750 082	467 749	316 040	3 533 871

	UK			
	Office R’000	Retail R’000	Industrial R’000	Total R’000
2017				
Extracts from the statement of comprehensive income				
Investment property income	51 507	25 237	34 574	111 318
Property expenses	(1 828)	(744)	(769)	(3 341)
Net property income	49 679	24 493	33 805	107 977
Extracts from the statement of financial position				
Investment property				
Investment property	664 719	380 047	547 126	1 591 892
Property, plant and equipment	–	–	–	–
Non-current assets held-for-sale	–	–	–	–
Property valuation	664 719	380 047	547 126	1 591 892
2016				
Extracts from the statement of comprehensive income				
Investment property	56 096	22 326	20 528	98 950

income				
Property expenses	(1 538)	(756)	(288)	(2 582)
Net property income	54 558	21 570	20 240	96 368
Extracts from the statement of financial position				
Investment property	654 652	414 786	531 535	1 600 973
Property, plant and equipment	–	–	–	–
Investment property held-for-sale	–	–	–	–
Property valuation	654 652	414 786	531 535	1 600 973

		Total		
	Office R'000	Retail R'000	Industrial R'000	Total R'000
2017				
Extracts from the statement of comprehensive income				
Investment property income	413 162	91 100	84 903	589 165
Property expenses	(112 182)	(23 055)	(22 831)	(158 068)
Net property income	300 980	68 045	62 072	431 097
Extracts from the statement of financial position				
Investment property				
Investment property	3 156 132	837 637	842 988	4 836 757
Property, plant and equipment	13 587	15	58	13 660
Non-current assets held-for-sale	63 750	–	37 000	100 750
Property valuation	3 233 469	837 652	880 046	4 951 167
2016				
Extracts from the statement of comprehensive income				
Investment property income	425 335	68 889	67 138	561 362
Property expenses	(130 499)	(20 618)	(20 404)	(171 521)
Net property income	294 836	48 271	46 734	389 841
Extracts from the statement of financial position				
Investment property	3 260 984	882 530	847 552	4 991 066
Property, plant and equipment	10 750	5	23	10 778
Investment property held-for-sale	133 000	–	–	133 000
Property valuation	3 404 734	882 535	847 575	5 134 844

Board of directors

PD Naidoo (Chairman), JR Macey (Lead Independent), NV Balfour (Chief Executive Officer), JD Wiese, KR Collins (alternate), KN Vundla, JA Legh, MJ van Heerden, P Ntshalintshali, S Mia

Corporate information

Company registration number: 2005/019302/06

Company secretary: CIS Company Secretaries Proprietary Limited (Gillian Prestwich)

Sponsor: Investec Bank Limited

Transfer secretary: Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107 South Africa)

Physical and registered address: Block C, Investment Place, 10th Road, Hyde Park, 2196

Postal address: PO Box 653129, Benmore, 2010