

Texton Property Fund Limited
("the Fund" or "the Company")
(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 2016

Financial highlights

- Dividend per share (rebased) up 7,0% from 44,83 cents (rebased, excluding once-offs) to 47,95 cents per share
- Dividend per share (actual) down 6,9% from 51,52 cents per share to 47,95 cents per share
- Net asset value down 2,6% from 1 003,32 cents per share to 977,54 cents per share
- Investment property income up 10,2% from R264,2 million to R291,2 million
- Net property income up 26,3% from R164,9 million to R208,2 million
- Loan to value ratio down 34,5% from 37,0% at 30 June 2016

Non-financial highlights

- Gross lettable area down 4,1% from 427 813m² at 30 June 2016 to 410 166m²
- National/listed/blue-chip tenants (by GLA) up 9,2% from 52,1% at December 2015 to 61,3%
- Vacancies (by GLA) down to 6,2% from 9,0% at 30 June 2016
- Portfolio value (including 50% share of Broad Street Mall) down 2,5% from R5,774 billion at 30 June 2016 to R5,627 billion

Condensed consolidated statement of financial position
at 31 December 2016

	Unaudited	Unaudited	Audited
R'000	as at	as at	as at

	31 Dec 2016	31 Dec 2015	30 Jun 2016
Assets			
Non-current assets	5 392 393	4 779 483	5 498 451
Investment property	5 028 186	4 274 383	4 991 066
Property, plant and equipment	12 509	11 852	10 778
Goodwill	-	88 630	-
Investment in joint venture	237 316	300 119	262 938
Other financial assets	63 171	-	132 108
Other non-current assets	7 981	6 178	8 027
Restricted cash	43 230	98 321	93 534
Current assets	198 512	747 687	324 569
Trade and other receivables	41 009	34 870	38 659
Investment property reclassified as held-for-sale	-	340 680	133 000
Income tax receivable	3 819	1 209	3 781
Restricted cash	25 119	27 157	25 134
Cash and cash equivalents	128 565	343 771	123 995
Total assets	5 590 905	5 527 170	5 823 020
Equity and liabilities			
Stated capital	2 848 404	2 910 877	2 906 923
Retained earnings	846 405	619 409	788 906
Share-based payment reserve	1 074	1 476	1 074
Foreign exchange translation reserve	(271 276)	58 131	(102 579)
Shareholders' interest	3 424 607	3 589 893	3 594 324
Non-current liabilities	1 566 800	1 806 743	1 932 586

Other financial liabilities	1 563 185	1 803 128	1 928 971
Deferred tax	3 615	3 615	3 615
Current liabilities	599 498	130 534	296 110
Current portion of other financial liabilities	512 140	4 317	215 429
Trade and other payables	87 358	126 217	80 681
Total liabilities	2 166 298	1 937 277	2 228 696
Total equity and liabilities	5 590 905	5 527 170	5 823 020
Shares in issue, excluding treasury shares ('000) ^	350 328	357 802	357 362
Net asset value per share (cents)	977,54	1 003,32	1 005,79
Net tangible asset value less deferred tax per share (cents)	978,57	979,56	1 006,81

^ Treasury shares include shares held by a subsidiary and by the Share Incentive Scheme

Condensed consolidated statement of comprehensive income for the six months ended 31 December 2016

R'000	Unaudited Six months 31 Dec 2016	Unaudited Six months 31 Dec 2015	Audited Year to 30 Jun 2016
Investment property income	291 180	264 178	561 362
Straight-line rental adjustment	9 083	(10 372)	10 871
Revenue	300 263	253 806	572 233
Property expenses	(92 050)	(88 947)	(171 521)
Net property income	208 213	164 859	400 712

Profit from joint venture	1 288	3 333	5 053
Other income	127 980	1 220	2 033
Other operating expenses	(8 912)	(5 874)	(11 253)
Foreign exchange gains/(losses)	26 453	(1 801)	(10 695)
Asset management fees	(12 653)	(12 648)	(27 908)
Operating profit	342 369	149 089	357 942
Finance income	48 281	23 888	84 877
Finance costs	(79 895)	(51 065)	(130 820)
Fair value adjustments	(70 525)	(146 854)	11 945
Capital items	-	(58)	(52)
Profit/(loss) before income tax	240 230	(25 000)	323 892
Income tax	-	-	-
Profit/(loss) for the period	240 230	(25 000)	323 892
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	(168 697)	48 908	(111 802)
Total comprehensive income for the period	71 533	23 908	212 090
Reconciliation of attributable income to earnings, headline earnings and distributable income			
Earnings/(loss) attributable to shareholders	240 230	(25 000)	323 892

Gross revaluation of investment property	3 115	102 454	43 519
Goodwill impairment	-	-	77 018
Headline earnings attributable to shareholders	243 345	77 454	444 429
Weighted average number of shares ('000)	355 121	313 487	335 208
Basic and diluted earnings/(loss) per share (cents)	67,65	(7,97)	96,62
Headline earnings per share (cents)	68,52	24,71	132,58
Dividend per share (cents)	47,95	51,52	103,68
Interim dividend *	47,95	51,52	51,52
Final dividend *	-	-	52,16
Rebased Interim dividend #	47,95	44,83	44,83

* Declared subsequent to period end

Rebased dividend as reported

Condensed consolidated statement of cash flows
for the six months ended 31 December 2016

	Unaudited Six months 31 Dec 2016	Unaudited Six months 31 Dec 2015	Audited Year to 30 Jun 2016
Net cash inflow/(outflow) from operating activities	153 328	53 582	(12 106)
Net cash outflow from investing activities	(127 894)	(728 941)	(1 334 591)
Net cash (outflow)/inflow from financing activities	(47 829)	785 712	1 243 063
Net (decrease)/increase in cash and cash equivalents	(22 395)	110 353	(103 634)

Effect of the conversion of foreign operations on cash and cash equivalents	(7 933)	13 033	(4 479)
Release of restricted cash	34 898	-	11 723
Cash and cash equivalents at the beginning of the year	123 995	220 385	220 385
Cash and cash equivalents at the end of the period/year	128 565	343 771	123 995

Condensed consolidated statement of changes in equity
for the six months ended 31 December 2016

	Stated capital	Share-based payment reserve	Foreign currency revaluation reserve	Retained earnings	Total
R' 000					
Group					
Balance at 30 June 2015	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 (net of share issue expenses)	943 556	-	-	-	943 556
Dividend paid	-	-	-	(188 372)	(188 372)
Treasury shares acquired	(74 554)	-	-	-	(74 554)
Share-based payment	-	402	-	-	402

transactions						
Total						
comprehensive						
income for						
the period	-	-	48 908	(25 000)	23 908	
Profit for the						
period	-	-	-	(25 000)	(25 000)	
Exchange						
differences on						
translation of						
foreign						
operations	-	-	48 908	-	48 908	
Balance at 31						
December 2015	2 906 923	1 476	58 131	619 409	3 585 939	
Dividend paid	-	-	-	(179 395)	(179 395)	
Share-based						
payment						
transactions	-	(402)	-	-	(402)	
Total						
comprehensive						
income for						
the period	-	-	(160 710)	348 892	188 182	
Profit for the						
period	-	-	-	348 892	348 892	
Exchange						
differences on						
translation of						
foreign						
operations	-	-	(160 710)	-	(160 710)	
Balance at						
30 June 2016	2 906 923	1 074	(102 579)	788 906	3 594 324	
Dividend paid	-	-	-	(182 731)	(182 731)	

Treasury shares acquired	(58 519)	-	-	-	(58 519)
Total comprehensive income for the period	-	-	(168 697)	240 230	71 533
Profit for the period	-	-	-	240 230	240 230
Exchange differences on translation of foreign operations	-	-	(168 697)	-	(168 697)
Balance at 31 December 2016	2 848 404	1 074	(271 276)	846 405	3 424 607

Distributable earnings
for the six months ended 31 December 2016

R' 000	Unaudited Six months 31 Dec 2016	Unaudited Six months 31 Dec 2015	Audited Year to 30 Jun 2016
Revenue	291 180	264 178	561 362
Property expenses	(92 050)	(88 947)	(171 521)
Profit from joint venture	1 288	3 333	5 053
Other income	5 443	1 220	4 097
Other operating expenses	(8 912)	(5 874)	(11 253)
Realised foreign exchange gains/(losses)	13 714	(1 896)	2 759
Asset management fees	(12 653)	(12 648)	(27 908)
Net finance cost	(30 028)	(26 675)	(43 496)
Finance income	48 281	23 888	84 877
Finance cost	(79 895)	(51 065)	(130 820)
Finance cost amortisation	1 586	502	2 447
Accrued distribution included	-	27 720	27 720

in share price

Distribution of non-recurring foreign exchange gain	-	23 915	23 915
Dividends on treasury shares	12 342	9 410	19 166
Total distribution	180 324	193 736	389 894

Operating segments

The Group has two reportable segments based on the geographic splits in South Africa and the United Kingdom which are the Group's strategic business segments. The geographic segments are then 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 customers.

Reconciliation from segment result to profit for the period for the six months ended 31 December 2016

	Unaudited Six months 31 Dec 2016	Unaudited Six months 31 Dec 2015
R'000		
Segment results	199 130	175 231
Straight-line rental adjustment	9 083	(10 372)
Other income	127 980	1 220
Share of profit from joint venture	1 288	3 333
Other operating expenses	(8 912)	(5 372)
Foreign exchange gains/(losses)	26 453	(1 801)
Asset management fees	(12 653)	(12 648)
Finance income	48 281	23 888
Finance cost	(78 309)	(51 065)
Finance cost amortisation	(1 586)	(502)
Fair value adjustment	(70 525)	(146 854)
Capital items	-	(58)
Profit/(loss) for the period	240 230	(25 000)

Segmental analysis
at 31 December 2016

R'000	South Africa			Total
	Office	Retail	Industrial	
2016				
Extracts from the statement of comprehensive income				
Investment property income	178 698	31 424	24 517	234 639
Property expenses	(64 746)	(14 169)	(11 111)	(90 026)
Segmental result	113 952	17 255	13 406	144 613
Extracts from the statement of financial position				
Investment property	2 586 674	463 848	316 793	3 367 315
Property, plant and equipment	12 473	15	21	12 509
	2 599 147	463 863	316 814	3 379 824
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)
Net property income	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
Property, plant and equipment	11 812	17	23	11 852
Investment property held-	243 020	58 350	39 310	340 680

for-sale

2 653 940 294 381 288 973 3 237 294

United Kingdom

R'000 Office Retail Industrial Total

2016

Extracts from the
statement of comprehensive
income

Investment property income 26 064 13 084 17 393 56 541

Property expenses (1 010) (468) (546) (2 024)

Segmental result 25 054 12 616 16 847 54 517

Extracts from the
statement of financial
position

Investment property 733 130 384 637 543 104 1 660 871

Property, plant and
equipment - - - -

733 130 384 637 543 104 1 660 871

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)

Net property income 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

Property, plant and
equipment

Investment property held- for-sale	-	-	-	-
	717 460	232 440	439 721	1 389 621

Total

R'000	Office	Retail	Industrial	Total
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2016

Extracts from the
statement of comprehensive
income

Investment property income	204 762	44 508	41 910	291 180
Property expenses	(65 756)	(14 637)	(11 657)	(92 050)
Segmental result	139 006	29 871	30 253	199 130

Extracts from the
statement of financial
position

Investment property	3 319 804	848 485	859 897	5 028 186
Property, plant and equipment	12 473	15	21	12 509
	3 332 277	848 500	859 918	5 040 695

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)
Net property income	143 122	18 400	13 709	175 231

Extracts from the
statement of financial
position

Investment property	3 116 568	468 454	689 362	4 274 383
Property, plant and equipment	11 812	17	23	11 852

Investment property held-				
for-sale	243 020	58 350	39 310	340 680
	3 371 400	526 821	728 695	4 626 915

Directors' commentary

Nature of the business

Texton is an externally managed Real Estate Investment Trust ("REIT") listed on the JSE Limited. Its strategy is focused around diversification of the portfolio by both sector and geographically in South Africa and the United Kingdom.

Distributable earnings and commentary on results

The Board has declared an interim dividend of 47,95 cents per share which implies growth of 7,0% on the core earnings, excluding any once-off items, for the six-month period ended 31 December 2016. For the six-month period ended 31 December 2015, Texton declared an interim dividend of 51,52 cents per share and thus the 2016 interim dividend represents a 6,9% decline year-on-year. 6,69 cents of the 2015 interim dividend was a non-recurring dividend consisting of a foreign exchange gain of R23,9 million. It has been decided that Texton will no longer make once-off dividend payments. Adjusting the prior year dividend by the once-off results in a rebased dividend of 44,83 cents per share ("the rebased dividend"). The 7,0% growth was achieved mostly from a solid performance of the South African core portfolio, accretive acquisitions made in the United Kingdom, and the fact that the gain made on realisation of the cross currency interest rate swap was used to reduce debt.

Acquisitions

During the period, Texton acquired two properties in the UK:

- On 17 August 2016 the Fund acquired an office building known as 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, on a lease that expires in November 2021. The purchase price of the property was R173,8 million, settled in cash.
- On 17 August 2016 the Fund acquired an industrial building known as 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, on a lease that expires in January 2026. The

purchase price of the property was R112,8 million, settled in cash.

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	Sale price R'000
Vodacom					
Park and Linger	Office/				
Longer	Retail	5 698	26 September 2016	49 300	71 000
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

Vacancies

Vacancies have reduced to 6,2% at 31 December 2016, down from 9,0% at 30 June 2016.

Facilities and interest rate derivatives

During the period, GBP facilities totalling GBP20,3 million were raised with HSBC for a five-year period at a fixed rate of 2,495%.

Debt maturities profile

R'000	Facility	Drawn down	
		Fixed	Floating
South Africa			
FY 2017	200 000	-	199 309*
FY 2018	285 326	-	285 326*

FY 2019	600 000	-	186 979*
FY 2020	172 574	-	172 574*
	1 257 900	-	844 188
UK			
FY 2018	321 260	-	317 842
FY 2020	361 045	361 045	-
FY 2022	343 410	-	343 410
	1 025 715	361 045	661 252
Total	2 283 615	361 045	1 505 440

* Partly/fully hedged by interest rate swaps

Interest rate swap maturity profile

South Africa - Standard Bank

Expiry	R'000	Nominal rate	
			%
22 March 2017	103 000		7,12
22 March 2017	102 000		7,12
17 July 2017	200 000		7,12
11 February 2019	170 000		8,05
11 February 2019	100 000		8,29
Total	675 000		

UK - HSBC

Expiry	GBP'000	Nominal rate	
			%
12 August 2021	20,31 million		2,495

Currency derivatives

The Fund has entered into the following currency derivatives

Cross-currency interest rate swap

Expiry	R' 000	GBP' 000	Bank pays %	We pay %
2 September 2021	600 000	30 801	11	3,18% + libor

Put options

Expiry	Texton buys	ZAR:1 GBP	Premium paid
28 December 2016	GBP3,1 million	R18,50	R1,4 million
10 March 2017	GBP3,1 million	R18,50	R1,9 million

Repurchase of shares

In September 2016, a subsidiary of Texton, Discus House Proprietary Limited, purchased 7 034 133 shares at an average price of R8,32, bringing the total number of shares held in treasury to 15 310 276. This excludes the 10 428 348 shares held in the Share Incentive Trust.

Summary of financial performance

	Unaudited 31 Dec 2016	Unaudited 31 Dec 2015	Audited 30 Jun 2016
Shares in issue and used for dividend calculation ('000)	350 328	357 802	357 362
Weighted average number of shares in issue ('000)	355 121	313 487	335 208
Net asset value per share (cents)	977,54	1 003,32	1 005,79
Net tangible asset value less deferred tax per share (cents)	978,57	979,56	1 006,81
Basic and diluted (loss)/earnings per shares (cents)	67,65	(7,97)	96,62
Headline earnings per share (cents)	68,52	24,71	132,58
Dividend per share	47,95	51,52	103,68

Interim dividend	47,95	51,52	51,52
Final dividend			52,16
Rebased Interim dividend	47,95	44,83	44,83
Share price (cents)	783	979	800
Loan to value (%)*	34,51	28,6	37,0

* Loan to value is calculated by dividing property-related bank funding less cash and cash equivalents, by the gross value of investment property, including property, plant and equipment, and excluding the equity accounted investment in Broad Street Mall.

Preparation and accounting policies

The unaudited condensed consolidated interim financial results have been prepared in accordance with International Financial Reporting Standards ("IFRS"), IAS 34: Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Limited Listings Requirements and the requirements of the Companies Act of South Africa. This report complies with the SA REIT Association Best Practice Recommendations. This report was compiled under the supervision of Brigitte de Bruyn CA(SA), the financial director.

The accounting policies applied in the preparation of the unaudited condensed consolidated interim financial statements are in terms of IFRS and are consistent with the accounting policies applied in the preparation of the previous consolidated financial statements, with the exception of the adoption of new and revised standards which became effective during the period.

The Group's investment properties were not valued internally by the directors at the interim reporting period. For year-end purposes they are partially externally valued by independent valuers and partially internally valued. In terms of IAS 40: Investment Property and IFRS 7: Financial Instruments: Disclosure, investment properties are measured at fair value and are categorised as Level 3 investments.

The revaluation of investment property requires judgement in the

determination of future cash flows from leases and an appropriate capitalisation rate which varies between 8,5% and 10,69% for South African properties and between 6,02% and 7,7% for UK properties. Changes in the capitalisation rate attributable to changes in market conditions can have a significant impact on property valuations. A 50 basis points increase in the capitalisation rate will decrease the value of investment property by R321,1 million. A 50 basis points decrease in the capitalisation rate will increase the value of investment property by R410,1 million.

In terms of IAS 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 asset derivative was R68,0 million and the fair value of the interest rate liability derivative was R4,0 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 approximates their fair value.

The directors are not aware of any matters or circumstances arising subsequent to December 2016 that require any additional disclosure or adjustment to the financial statements. The condensed consolidated interim financial statements have not been audited or reviewed by Texton's auditors.

Business combinations

During the period, the Group acquired two properties in the United Kingdom. These were as follows:

Details	Location	Transfer date	Acquisition price Rm	GLA m2	Yield %	Rental escalation %
Mowbray	Nottingham,	17 August	173,8	5 360	7,5%	3%*

House UK 2016
 Heapam Gainsborough, 17 August
 Road UK 2016 112,8 7 912 6,7% 2,5%*

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

	Mowbray House R' 000	Heapam 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	4 087	2 746	6 833
Revenue for the full period	5 450	3 662	9 112
Profit since acquisition - attributable to Group	3 381	2 182	5 563
Profit for the full period	4 508	2 909	7 417

Lease expiry profiles
 South Africa

	GLA %	Revenue per month %
Vacant 2017	7,6	0,0

2018	14,1	14,7
2019	26,6	31,9
2020	15,5	15,4
>2020	36,2	38,0

United Kingdom

	GLA	Revenue
	%	per month
	%	%
Vacant 2017	1,4	0,0
2018	4,4	6,1
2019	1,0	1,3
2020	1,1	1,6
>2020	92,1	91,0

Currency

The closing exchange rate at 31 December 2016 was R16,91:1GBP and the average exchange rate for the six months ended 31 December 2015 was R17,69:1GBP. The Group's functional and presentation currency is the South African Rand.

Segmental analysis

South African property profile

	2016	2015
	%	%
SA sector		
Revenue		
Office	74,4	81,6
Retail	15,2	8,8
Industrial	10,4	9,6
GLA		
Office	60,8	67,1
Retail	11,4	7,2
Industrial	27,8	25,7

United Kingdom property profile

	2016	2015
UK sector	%	%
Revenue		
Office	20,8	47,7
Retail	45,0	33,7
Industrial	34,2	18,6
GLA		
Office	25,1	27,1
Retail	29,1	34,5
Industrial	45,8	38,4

Prospects

Low economic growth associated with the current South African environment coupled with economic uncertainty in the UK regarding Brexit will continue to create challenges for Texton in both investment jurisdictions. Whilst the Company is well positioned to grow off its rebased core earnings, continued pressure on tenants, particularly in the office sector, will have to be closely monitored and efficiently managed.

Texton's core property portfolio is performing well and vacancies have materially reduced since financial year end. Portfolio rationalisation is still front of mind and management has made solid progress disposing of the non-core portfolio. Current Rand strength has impacted on our UK earnings, however hedging instruments have been entered into to protect Texton's income against downside risk associated with economic volatility. The realisation of a R123,9 million gain on the cross currency interest rate swap has been reinvested into the business, reducing our LTV to 34,5%.

Assuming South African property net income growth of 6,0% to 8,0% per annum combined with circa 2,0% net property income growth in the United Kingdom, our total distribution growth on the rebased dividend is expected to be between 3,0% to 6,0% for the full year ending 30 June 2017. This assumes the Rand remains below R18,50 to the Pound. The primary reason for reduced growth in 2017 can be attributed to large vacancies during the year which have only recently been filled and the fact that the Rand is currently very strong when compared against the Pound.

Payment of interim dividend

Notice is hereby given of the declaration of the interim dividend number 12 of 47,95 cents per share for the six-month period to 31 December 2016. The dividend has been declared from income reserves.

Texton's income tax reference number: 9353785158
Issued shares as at 31 December 2016: 376 066 766

Salient dates

Declaration date Monday, 6 March 2017
Last date to trade in order to Tuesday, 28 March 2017
participate in the cash dividend
Shares to trade ex-dividend Wednesday, 29 March 2017
Record date Friday, 31 March 2016
Payment date Monday, 3 April 2017

Share certificates may not be dematerialised or rematerialised between 29 March 2017 and 31 March 2017, both dates inclusive.

Tax treatment

In accordance with Texton's 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 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 22 February 2017, any dividend received by a non-resident from a REIT will be subject to dividend withholding tax at 20% (previously 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 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.

On behalf of the board

PD Naidoo
Chairman

N Morris
Chief Executive Officer

6 March 2017

Board of directors

PD Naidoo (Chairman), N Morris (Chief Executive Officer), B de Bruyn (Financial Director), NV Balfour, KR Collins (alternate), JR Macey, KN Vundla, JA Legh, MJ van Heerden, JD Wiese

PM Tau-Sekati and TS Sishuba resigned on 25 August 2016 and AN Du Hecquet de Rauville resigned on 1 December 2016.

Corporate information

Company registration number: 2005/019302/06

Company Secretary: CIS Company Secretaries Proprietary Limited

Sponsor: Investec Bank Limited

Transfer secretary: Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196

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

Postal address: PO Box 41394, Craighall Park, 2024

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