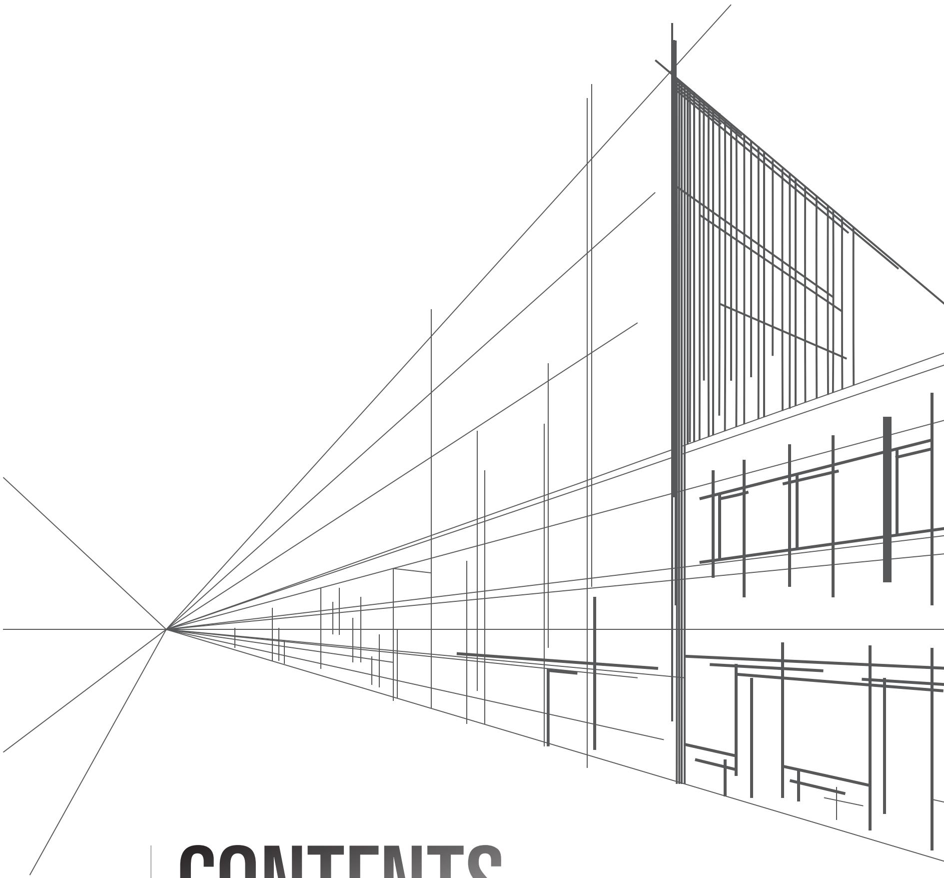
TEXTON

PROPERTY FUND

ANNUAL FINANCIAL STATEMENTS **2020**



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ANNUAL FINANCIAL STATEMENTS

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DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for the integrity, preparation and fair presentation of the group and company annual financial statements, comprising the statements of financial position as at 30 June 2020 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the annual financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards, and the South African Institute of Chartered Accountants ("SAICA") Financial Reporting Guidelines, the JSE Listings Requirements, the Financial Reporting Standards Council and the Companies Act of South Africa. In addition, the directors are responsible for preparing the directors' report.

The directors have responsibility for ensuring that accurate and complete accounting records are kept to enable the group and the company to satisfy their obligations with respect to the preparation of annual financial statements.

The directors are also responsible for such internal control as the directors determine necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the ability of the company and its subsidiaries and group entities to continue as going concerns and have no reason to believe that the businesses will not be going concerns in the year ahead.

The group's external auditor SizweNtsalubaGobodo Grant Thornton Incorporated audited the group and company annual financial statements and their audit report is presented on pages 7 to 9.

The external auditor was given unrestricted access to all financial records and relevant data, including minutes of all meetings of shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditor during the audit are valid and appropriate.

APPROVAL OF THE GROUP ANNUAL FINANCIAL STATEMENTS AND THE ANNUAL FINANCIAL STATEMENTS OF TEXTON PROPERTY FUND LIMITED

The group annual financial statements and the annual financial statements of Texton Property Fund Limited, as identified in the first paragraph, were approved by the board of directors on 23 September 2020.

P Hack
Chief financial officer

M Golding
Chairman

23 September 2020

CERTIFICATE BY THE COMPANY SECRETARY

In terms of the Companies Act, 71 of 2008, we certify that, to the best of our knowledge and belief, Texton Property Fund Limited has lodged all returns and notices required by the Companies Act with the Commissioner of the Companies and Intellectual Property Commission for the year ended 30 June 2020 and all such returns and notices prescribed by the Companies Act appear to be true, correct and up to date.

Motif Capital partners
Company secretary

23 September 2020

DIRECTORS' REPORT

NATURE OF THE BUSINESS

Texton Property Fund Limited ("Texton", the "company", the "fund" or the "group") is an internally asset-managed Real Estate Investment Trust ("REIT") listed on the JSE Limited. Its portfolio of retail, office and industrial property assets are located in South Africa ("SA") and the United Kingdom ("UK") and is valued at R4,5 billion as at 30 June 2020.

SA REIT ASSOCIATION BEST PRACTICE RECOMMENDATIONS ("BPR")

The SA REIT Association has recently released a second edition BPR, which deals with best practice reporting. The new BPR is applicable for financial year-ends commencing after 1 January 2020 and will accordingly be applicable to Texton from the financial year ending 30 June 2021. Texton will assess the new BPR in due course and will, as far as possible, endeavour to comply with the recommendations contained therein.

Subsidiaries

	Location	% owned
Discus House Proprietary Limited	South Africa	100
Imperial Comm Props Proprietary Limited	South Africa	100
Investage 183 Proprietary Limited*	South Africa	54
Nungu Trading 88 Proprietary Limited	South Africa	100
Sable Place Properties 121 Proprietary Limited	South Africa	100
Texton Propco Proprietary Limited	South Africa	100
Texton Property UK Limited	United Kingdom	100
Chevelon Investment Holdings Limited	United Kingdom	100
Chobe Investment Holdings Limited	United Kingdom	100
Heddon Investment Holdings Limited	United Kingdom	100
Zeya Investment Holdings Limited	United Kingdom	100
Forbesdale Investment Holdings Limited	United Kingdom	100
Onslow Investment Holdings Limited	United Kingdom	100
Cheltondale Investment Holdings Limited	United Kingdom	100
Ganix Investment Holdings Limited	United Kingdom	100
Malabar Investment Holdings Limited	United Kingdom	100
Controlled entities		
Texton Property Fund Limited Share Incentive Trust	South Africa	100
Vunani Property Investment Trust*	South Africa	100

* *During the year, VPIT and Investage entered into a section 42 transaction, whereby VPIT transferred its assets to Investage for shares. This was a common control transaction and IFRS 3 did not apply.*

RESTRUCTURES UNDER TAKEN DURING THE YEAR

Refer to note 47 for restructure of inter-company loans undertaken during the year.

FINANCIAL RESULTS

The detailed financial results are fully set out in the consolidated and separate financial statements.

GOING CONCERN

The group and company has reasonably satisfied the liquidity and solvency test as required by the Companies Act and the directors have satisfied themselves that the company and group are in a sound financial position and that it has access to sufficient facilities to meet its foreseeable cash requirements.

The directors consider that the company and group have adequate resources to continue operating for the foreseeable future and realise its assets and settle its liabilities in the ordinary course of business. As such it is appropriate to adopt the going concern basis in preparing the consolidated and separate financial statements.

IMPACT OF COVID-19

An outbreak of the coronavirus disease 2019 ("COVID-19") emerged during 2019 and was declared a global pandemic by the World Health Organisation in 2020.

Immediately, Texton took decisive action to preserve cash by actively managing our working capital through the crisis. Texton is mindful that many of our tenants and suppliers are small, medium and micro enterprises ("SMMEs") and the lifeblood of the South African economy. Texton actively engaged with both our tenants and suppliers, adopting a solutions-oriented mindset in an effort to generate win-win outcomes for all parties.

To support tenants negatively impacted by the COVID-19 lockdown, Texton provided R3,0 million in rental relief, equating to 0,6% of annual gross income, to 25 tenants by way of rental discounts (35,3%) and rental deferrals (64,7%). Requests for rental relief have only been considered on an individual basis and take into account whether a tenant is in good standing. Texton has also taken opportunities to negotiate lease re-gears in exchange for upfront rent-free incentives. Rent deferment structures from one to three months with payback periods of three to six months.

At the same time, Texton managed expenses by negotiating terms with our suppliers that were mutually beneficial to the sustainability of our business and theirs; and accelerated pre-existing expense-cutting measures and suspended all discretionary spend.

DIRECTORS' REPORT CONTINUED

RENTAL COLLECTION

Since year-end we have collected over 93% and 97% of rental due in South Africa and the UK respectively. The collection of rentals and recovery of debt remains a key focus area. Texton has committed additional resources to this given the elevated risk levels in this area and the expected strain consumers may experience in the coming months.

BANKING FACILITIES

Texton has unlimited borrowing powers in terms of the memorandum of incorporation ("MOI"), but the group has maintained its debt levels below 60% of its gross asset value in accordance with JSE Listings Requirements for REITs. The group is also subject to certain financial covenants with the strictest being a 50% loan-to-value ("LTV") covenant on its bank borrowings. The group's overall debt was R1,997 billion (2019: R2,241 billion) at the reporting date as detailed in note 16 to the consolidated financial statements.

Texton was able to refinance all debt that expired in the current financial year on favorable terms and tenures. Texton refinanced R932 million of Standard Bank debt in the current year. The new debt was split into four different tranches:

Subsidiary	Rate	Term
Standard Bank Tranche A	JIBAR* + 1,95%	12 months
Standard Bank Tranche B ("RCF")#	Prime -60bps	18 months
Standard Bank Tranche C	JIBAR* + 235bps	30 months
Standard Bank Tranche D	JIBAR* + 245bps	36 months

In the UK, Texton refinanced £1,7 million of debt expiring with Santander with a new five-year facility with HSBC. At the same time, Texton refinanced all its debt with HSBC totalling £32 million on a five-year facility with HSBC at a margin of 2,25% above LIBOR**. The margin decreases to 2,10% when the LTV on the portfolio reduces to 55%, which is expected to be completed by December 2020.

All bank covenants were in compliance at year-end.

SALE OF NON CORE PROPERTIES

We identified 14 properties valued at R529,5 million at 30 June 2019 for disposal. Two of these properties (valued at R209,0 million) were sold and transferred by 30 June 2020. The COVID-19 pandemic resulted in delays in transfer process due to the closing of municipalities and deeds offices during the last quarter of the financial year. As at 30 June 2020, we identified four additional properties, taking the total to 16 properties valued at R601,2 million for disposal. Eight of these properties (valued at R154,6 million) have been contracted for and we expect sales to be completed by 31 December 2020.

SUBSEQUENT EVENTS

Refer to note 38 for information relating to subsequent events.

* *Johannesburg Interbank Agreed Rate.*
** *London Interbank Offered Rate.*
# *Rolling credit facility.*

PAYMENT OF FINAL DIVIDEND

Texton has elected to defer the decision relating to the payment of a final dividend. The JSE originally notified REITs on 26 June 2020 that interim relief has been approved by the Financial Sector Conduct Authority (FSCA) to allow REITs, with year ends from February to September 2020, to postpone the payment of their dividends for an additional two-month period over and above the requirement to pay dividend within four months of year end. On 22 September 2020, the JSE notified the market via SENS that the FSCA had advised that they are not in a position to consent to the request put to them by the JSE in regards to the relaxation of the pay out ratio requirements for REITs. Due to the timing of the JSE's announcement and Texton's results announcement, Texton will need to assess the implications of this announcement and will make a dividend decision within the required timeframe.

CHANGES TO THE BOARD AND PRESCRIBED OFFICERS

The board underwent a number of changes during the year and thereafter:

- Robert Franco was appointed as a non-executive director on 21 November 2019
- Inge Pick resigned as chief financial officer and from the board on 4 December 2019
- Marius Muller resigned as chief executive officer on 31 March 2020 and from the board on 30 June 2020
- Pinny Hack was appointed as chief financial officer, effective 12 June 2020
- Wayne van der Vent was appointed as independent non-executive director 21 November 2019.
- Pienaar Welleman was appointed as interim chief executive officer, effective 30 June 2020.

The details relating to directors and to directors' interest in shares can be found in note 33 to the annual financial statements

COMPANY SECRETARY

Motif Capital Partners continued to act as company secretary during the year under review.

STATED CAPITAL

The authorised shares of the company consist of 2 000 000 000 (two billion) ordinary shares of the same class and no par value. At year-end there were 376 066 766 shares outstanding. No shares were repurchased or issued in the year.

AUDITORS

SizweNtsalubaGobodo Grant Thornton Inc. will be recommended to shareholders at the annual general meeting to continue in office in accordance with section 90(1) of the Companies Act.

LITIGATION

The directors are not aware of any legal or arbitration proceedings that have commenced, are pending, have been threatened, or may have a material impact on the results of the group.

HOLDING COMPANY

Texton has no holding company and the main shareholders are detailed in the shareholder analysis on pages 88 to 91 to the separate financial statements.

REPORT OF THE AUDIT AND RISK COMMITTEE

The audit and risk committee (the "audit committee") takes pleasure in presenting its report for the year ended 30 June 2020.

TERMS OF REFERENCE

The audit committee is a formal committee of the board of the company and its subsidiaries and has adopted written terms of reference. These terms of reference include the statutory requirements of the Companies Act ("the Act"), the recommendations of the King Report on Corporate Governance™ for South Africa, 2016 ("King IV")* and certain responsibilities delegated by the board.

The main responsibilities of the audit committee include:

- Reviewing the ongoing effectiveness of the internal financial controls
- Reviewing the interim and preliminary results, the annual financial statements and other content in the integrated annual report, and making a formal recommendation to the board to adopt the same
- Ensuring compliance with IFRS and the relevant requirements of the Act and the JSE with respect to financial reporting
- Overseeing the appointment and independence of the external auditors and reviewing their external audit reports
- Determining a policy for the provision of non-audit services by the external auditors
- Monitoring the risk management framework adopted by the company and its subsidiaries (the "group") and reviewing any risk management reports in this regard
- Reviewing management's assessment of the group and company to continue as a going concern.

The audit committee confirms that it has fulfilled all its statutory obligations as well as its terms of reference for the year under review.

The audit committee has monitored and confirms that it is in compliance with the risk management policy, which is in accordance with the industry practice and prohibits the company from entering into speculative derivative transactions not in the ordinary course of business.

MEMBERS OF THE AUDIT COMMITTEE, ATTENDANCE OF MEETINGS AND EVALUATION

The audit committee comprises three independent non-executive directors and is chaired by John Macey CA(SA). Certain executive directors, senior management, as well as the external auditors attended audit committee meetings by invitation.

The terms of reference require an annual evaluation of the performance of the audit committee and its members as well as confirmation of the members' independence in terms of King IV and the Act. The evaluation performed covers the year ended 30 June 2020. The outcome of the evaluation performed on 9 September 2020 was satisfactory.

EXTERNAL AUDITORS

The audit committee nominated SizweNtsalubaGobodo Grant Thronton Inc ("SNG GT") as external auditors for the current year, having satisfied itself that they are independent of the group. The audit committee noted Priya Madhav as the designated auditor and confirmed that both she and SNG GT are accredited with the JSE as required. The external auditors have unrestricted access to the audit committee.

The audit committee approved the terms of the auditors' engagement letter, their audit plan and budgeted audit fees for the audit of the group and company annual financial statements for the year ended 30 June 2020.

The audit committee adopted a formal framework for the pre-approval of allowable non-audit services above certain pre-determined thresholds.

SIGNIFICANT MATTERS

Valuation of investment property

The major risk relating to investment property is the valuation of investment property. This has been highlighted as an area of critical judgement and is detailed in note 5 of the annual financial statements. Each property is externally valued at least every three years. Where an external valuation is not obtained, the directors determine the fair value of each property, using the valuation methodology in note 5. Through discussion with the executive directors, the audit committee is satisfied with the valuation methodology and inputs. A number of non-executive directors have extensive experience in the property industry and the board as a whole approves the valuations. The audit committee also monitors differences between internal and independent external valuations and is satisfied overall that the fair value of investment properties is not materially misstated.

REIT status

As income contains elements which may be deemed to be non-property related income, there is a risk that the company does not meet the requirements to be classified as a REIT as stipulated in section 25BB of the Income Tax Act. Management performs an assessment, on an ongoing basis, to ensure that the company's "rental income" is above the 75% threshold as set out in section 25BB. Management has also taken appropriate external advice in its determination as to whether the requirements set out in section 25BB have been met. Through discussion with management and inspection of financial records, the audit committee is satisfied that the company meets the criteria to be classified as a REIT.

REPORT OF THE AUDIT AND RISK COMMITTEE CONTINUED

INTERNAL AUDIT

The audit committee continues to assess the requirement to have an internal audit function as the company grows. At this point in time, the audit committee has satisfied itself that the size and complexity of the group does not warrant an internal audit function.

PROACTIVE MONITORING

The audit committee confirms that it has considered the findings contained in the JSE's 2019 Proactive Monitoring report when preparing the annual financial statements for the year ended 30 June 2020.

INTERNAL FINANCIAL CONTROLS

The audit committee reviewed the risk management and internal control framework presented by management and matters raised by the external auditors report as to the efficiency of the group's internal financial controls.

In accordance with paragraph 3.84(g)(ii) of the JSE Listings Requirements, the audit committee confirms that no material breakdown of internal financial controls was identified during the current financial year.

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The audit committee confirms that it formally recommended the adoption of the group and company annual financial statements to the board of directors.

JR Macey
Chairman of the audit and risk committee

23 September 2020

INDEPENDENT AUDITOR'S REPORT

to the shareholders of Texton Property Fund Limited

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

OPINION

We have audited the consolidated financial statements of Texton Property Fund Limited (the group and company) set out on pages 10 to 87, which comprise the consolidated and separate statements of financial position as at 30 June 2020, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Texton Property Fund Limited as at 30 June 2020, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report.

We are independent of the group in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa+. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

IDENTIFIED KEY AUDIT MATTER	HOW WE RESPONDED TO THE KEY AUDIT MATTER
Valuation of Investment Properties (applicable to the consolidated and separate financial statements) The valuation of investment properties is considered to be a key audit matter because the determination of the fair value involves significant judgement by management and the use of external valuation experts. The Groups Investment Property portfolio is split between South Africa and the UK, with a total valuation of R3,15 billion in the consolidated statement of financial position. Refer to Note 5 to the consolidated financial statements for details on the valuation of Investment Property. The Investment Property is stated at the fair values of the properties, based on the directors' valuations and external valuations as deemed appropriate. The fair values as at year end were determined using the discounted cash flow method of valuation. In determining a property's valuation, the directors and valuers take into account property specific information. The valuators apply yields and exit capitalization rates which are influenced by prevailing market yields and comparable market transactions to arrive at the final valuation. The Group has considered the impact of COVID-19 on the valuation of the properties. In making this assessment, the directors and valuators have considered the impact of the virus on the market growth rates as well as the vacancy rates. We consider the valuation of investment properties to be a matter of significance to the current year audit because of the significance of the estimates and judgements involved in its determination.	We obtained an understanding of management's approach for the valuation of the group's investment property portfolio. We inspected the valuation reports for the externally valued properties to assess whether the valuation approach was in line with the requirements IFRS and suitable for determining fair value for the purpose of financial statements. We also assessed the competences, capabilities and objectivity of the independent valuators by understanding the scope of their engagement and evaluating their qualifications. We also assessed whether there are any matters that might affect their objectivity; and obtained a confirmation of their independence from management. For a sample of properties, we evaluated significant assumptions including discount rates; capitalization rates; vacancy rates and market rental growth rates by comparing them to market benchmarks in order to assess whether they were in a reasonable range. Our procedures in this regard did not identify any material deviations. In addition to the aforementioned procedures we consulted independent valuators to assess the methodology, significant assumptions and yields applied by the directors and external valuators. We tested the accuracy and completeness of data inputs in the directors' valuation, as well as the valuations prepared by external valuators. Our procedures in this regard focused on the inputs underpinning the investment property valuations including rental income; tenancy schedules; general lettable area schedules; expenditure details and agreed these to supporting documentation. Our procedures in this regard did not identify any material deviations.

INDEPENDENT AUDITOR'S REPORT CONTINUED

IDENTIFIED KEY AUDIT MATTER	HOW WE RESPONDED TO THE KEY AUDIT MATTER
Intercompany Loan restructure and share repurchase (applicable to the separate financial statements) In 2015 the Company advanced interest-bearing loans to Zeya, Chevelon and Forbesdale in terms of a loan agreement. During the current financial year, the Company has undertaken a transaction in which it: a) waived a portion of its loans receivables from Zeya, Chevelon and Forbesdale b) entered into a full loan repayment and share repurchase agreement with its subsidiary, Chobe. Chobe ceded its rights in the Zeya, Heddon and Chevelon loans as repayment of the loan from the Company and repurchase of its shares c) entered into agreements with Zeya, Chevelon and Heddon, where it was agreed that the loans owed to the Company would be extinguished through the issue of additional shares by the subsidiaries to the Company. The details of the restructuring transaction are detailed in Note 47 of the consolidated financial statements. The assessment of the substance of the transaction is complex and requires significant estimates and judgements. We therefore consider the above to be a transaction of significance to the current year audit.	We have obtained an understanding of the contractual terms of the transactions that have taken place and the impact thereof on the financial statements. We have also assessed the substance of the restructure and reviewed the accounting entries made to assess whether the transaction was accounted for in line with the requirements of IFRS. In addition to the aforementioned procedures we consulted actuaries to assess the methodology and significant assumptions applied by the directors in determining the fair value of the amounts involved in the restructuring at each step. We have also assessed the transactions for compliance with the Companies Act of South Africa and engaged the component auditors to assess compliance with the local laws and regulations. We have further consulted our taxation specialist to assess the transactions for compliance with the Income Tax Act.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document titled "Texton Property Fund Limited Integrated Annual Report 2020" and in the document titled "Texton Property Fund Limited Separate Financial Statements for the year ended 30 June 2020", which includes the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa. The other information does not include the consolidated or the separate financial statements and our auditor's reports thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon. In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and separate entity or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements. As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that SizweNtsalubaGobodo Grant Thornton Inc has been the auditor of Texton Property Fund Limited for 3 years.

PMADHAV

SizweNtsalubaGobodo Grant Thornton Inc.
Priya Madhav
Director
Registered Auditor

23 September 2020

20 Morris Street East
Woodmead
2191

STATEMENTS OF FINANCIAL POSITION

as at 30 June 2020

		GROUP		COMPANY	
	Note	2020 R'000	2019 R'000	2020 R'000	2019 R'000
ASSETS					
Non-current assets		**3 416 932**	3 578 646	**2 298 018**	2 168 069
Investment property	5	**3 149 057**	3 291 916	**1 511 401**	1 573 400
Plant and equipment	6	**3 236**	1 911	**1 524**	1 029
Tenant installation	7	**6 089**	11 448	**3 935**	6 205
Investments in subsidiaries	40	**–**	–	**525 058**	318 233
Investment in joint venture	41	**252 272**	206 094	**252 272**	206 094
Other non-current assets	8	**6 278**	9 789	**3 828**	5 620
Other financial assets	9	**–**	57 488	**–**	57 488
Current assets		**189 864**	381 915	**749 379**	1 314 333
Loans to subsidiaries	20	**–**	–	**593 605**	624 042
Loans to group entities	20	**–**	–	**32 008**	393 613
Restricted cash	10	**–**	12 782	**–**	–
Trade and other receivables	11	**44 222**	43 920	**17 941**	20 250
Dividends receivable	32	**–**	–	**58 870**	–
Income tax receivable		**3 451**	1 228	**19**	130
Cash and cash equivalents	13	**142 191**	323 985	**46 936**	276 298
Investment property held for sale*	12	**601 293**	529 523	**173 900**	140 000
Total assets		**4 208 089**	4 490 084	**3 221 297**	3 622 402
EQUITY AND LIABILITIES					
Equity		**1 972 740**	2 123 952	**1 765 197**	1 994 118
Share capital	14	**2 842 473**	2 842 473	**3 098 489**	3 098 489
Retained earnings		**(758 095)**	(504 642)	**(1 333 292)**	(1 104 371)
Foreign currency translation reserve	15	**(111 638)**	(213 879)	**–**	–
Non-current liabilities		**1 642 388**	545 930	**932 444**	3 102
Other financial liabilities	16	**1 626 382**	535 301	**929 342**	–
Lease liability	17	**3 252**	3 326	**–**	–
Deferred tax	18	**12 754**	7 303	**3 102**	3 102
Current liabilities		**592 961**	1 820 202	**523 656**	1 625 182
Other financial liabilities	16	**456 440**	1 720 475	**452 386**	1 485 517
Trade and other payables	19	**107 923**	90 318	**45 339**	37 304
Income tax payable		**28 598**	9 409	**23 904**	–
Loans from subsidiaries	20	**–**	–	**2 027**	1 439
Loans from group entities	20	**–**	–	**–**	100 922
Total equity and liabilities		**4 208 089**	4 490 084	**3 221 297**	3 622 402

* *Refer to note 48 for representations.*

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 30 June 2020

		GROUP		COMPANY	
	Note	2020 R'000	Restated* 2019 R'000	2020 R'000	Restated* 2019 R'000
Investment property income	21	521 905	558 025	297 909	301 428
Straight-line rental adjustment		(2 720)	(2 360)	(6 052)	(2 687)
Property income		519 185	555 665	291 857	298 741
Impairment loss on trade receivables*		(27 595)	1 505	(17 857)	174
Property expenses*	22	(183 780)	(193 434)	(108 567)	(114 402)
Net property income		307 810	363 736	165 433	184 513
Other income*	23	4 715	11 000	124 812	136 855
Administrative expenses		(38 022)	(34 223)	(26 041)	(25 456)
Profit/(loss) from joint venture		34 711	(1 158)	34 711	(1 158)
Foreign exchange losses		(90 732)	(505)	(17 960)	(9 156)
Operating profit		218 482	338 850	280 955	285 598
Finance income*	24	85 780	90 535	101 665	114 494
Finance costs	25	(168 891)	(184 198)	(143 676)	(151 395)
Fair value adjustments	26	(196 849)	(699 524)	(142 179)	(420 391)
Expected credit loss ("ECL") adjustment on inter-company loans		–	–	(89 519)	(47 626)
(Loss)/profit on disposal of subsidiary		–	(9 041)	–	5 055
Impairment of investment in joint venture		–	(30 418)	–	(30 418)
Impairment of investment in subsidiaries*		–	–	(40 512)	(226 757)
Capital expenses	27	–	(14 350)	–	(14 350)
Loss before tax		(61 478)	(508 146)	(33 266)	(485 790)
Taxation expense	28	(69 023)	(29 792)	(63 317)	(1 098)
Loss for the year		(130 501)	(537 938)	(96 583)	(486 888)
Other comprehensive income:					
Items that may be classified to profit or loss:					
Exchange differences on translating foreign operations		102 241	1 075	–	–
Total comprehensive loss for the year		(28 260)	(536 863)	(96 583)	(486 888)
Profit and total comprehensive loss attributable to:					
Equity holders of the company		(28 260)	(536 863)	(96 583)	(486 888)
Basic earnings per share					
Basic and diluted earnings per share	35	(37,35)	(153,96)	–	–

* *Refer to note 48 for reclassifications.*

STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June 2020

	GROUP			
	Stated capital R'000	Foreign currency translation reserve R'000	Retained earnings R'000	Total R'000
Balance at 1 July 2018	2 257 206	(214 954)	246 816	2 289 068
ECL arising from the application of IFRS 9	–	–	98	98
Total comprehensive loss for the year	–	1 075	(537 938)	(536 863)
Loss for the year	–	–	(537 938)	(537 938)
Exchange differences on translation of foreign operations	–	1 075	–	1 075
Transactions with shareholders recognised directly in equity	585 267	–	(213 618)	371 649
Dividend paid	–	–	(270 921)	(270 921)
Extinguishment of PIC Put Option liability	(57 303)	–	57 303	–
Extinguishment of PIC Put Option liability	642 570	–	–	642 570
Balance at 30 June 2019	**2 842 473**	**(213 879)**	**(504 642)**	**2 123 952**
Total comprehensive loss for the year	**–**	**102 241**	**(130 501)**	**(28 260)**
Loss for the year	**–**	**–**	**(130 501)**	**(130 501)**
Exchange differences on translation of foreign operations	**–**	**102 241**	**–**	**102 241**
Transactions with shareholders recognised directly in equity				
Dividend paid	**–**	**–**	**(122 952)**	**(122 952)**
Balance at 30 June 2020	**2 842 473**	**(111 638)**	**(758 095)**	**1 972 740**

	COMPANY		
	Stated capital R'000	Retained earnings R'000	Total R'000
Balance at 1 July 2018	2 513 222	(321 891)	2 191 331
ECL arising from the application of IFRS 9	–	(61 293)	(61 293)
Total comprehensive loss for the year			
Loss for the year	–	(486 888)	(486 888)
Transactions with shareholders recognised directly in equity	585 267	(234 299)	350 968
Dividend paid	–	(291 602)	(291 602)
Extinguishment of PIC Put Option liability	(57 303)	57 303	–
Extinguishment of PIC Put Option liability	642 570	–	642 570
Balance at 30 June 2019	**3 098 489**	**(1 104 371)**	**1 994 118**
Total comprehensive loss for the year			
Loss for the year	**–**	**(96 583)**	**(96 583)**
Transactions with shareholders recognised directly in equity			
Dividend paid	**–**	**(132 338)**	**(132 338)**
Balance at 30 June 2020	**3 098 489**	**(1 333 292)**	**1 765 197**

STATEMENTS OF CASH FLOWS

for the year ended 30 June 2020

		GROUP		COMPANY	
	Note	30 June 2020 R'000	Restated* 30 June 2019 R'000	30 June 2020 R'000	Restated* 30 June 2019 R'000
Cash flows from operating activities					
Cash generated by operations*	29	**262 879**	334 834	**118 829**	172 760
Interest received		**85 609**	90 535	**124 499**	88 407
Interest paid		**(162 636)**	(167 503)	**(140 578)**	(143 446)
Commissions paid		**(3 614)**	(5 751)	**(2 434)**	(2 837)
Dividends paid	31	**(122 952)**	(270 921)	**(132 338)**	(291 602)
Dividends received*	32	**–**	–	**65 085**	126 632
Taxation paid	28	**(47 477)**	(7 786)	**(39 303)**	–
Net cash inflow/(outflow) from operating activities		**11 809**	(26 592)	**(6 240)**	(50 086)
Cash flows from investing activities					
Additions to plant and equipment	6	**(2 166)**	(910)	**(860)**	(473)
Additions to investment property	5	**(1 706)**	(5 474)	**–**	(3 173)
Proceeds on disposal of investment property classified as held for sale		**208 928**	286 398	**–**	–
Disposal of interest in subsidiary		**–**	–	**–**	71 154
Loans repaid		**–**	332	**–**	–
Loans repaid by subsidiaries*	20	**–**	–	**27 009**	242 489
Loans advanced to subsidiaries	20	**–**	–	**(26 976)**	(9 190)
Loans repaid by group entities	20	**–**	–	**–**	54 072
Loans advanced to group entities	20	**–**	–	**(215)**	(11 889)
Additional investment in joint venture		**(11 469)**	(18 328)	**(11 469)**	(18 328)
Tenant installation incurred	7	**(3 265)**	(4 754)	**(1 640)**	(1 232)
Net cash inflow/(outflow) from investing activities		**190 322**	257 264	**(14 151)**	323 430
Cash flows from financing activities					
Realisation of currency put option		**–**	5 853	**–**	5 854
Proceeds from other financial liabilities	30	**57 845**	426 361	**–**	249 220
Repayments of other financial liabilities	30	**(457 288)**	(468 961)	**(208 971)**	(292 261)
Lease liability payment	17	**(472)**	(474)	**–**	–
Net cash outflow from financing activities		**(399 915)**	(37 221)	**(208 971)**	(37 187)
Net (decrease)/increase in cash and cash equivalents for the year		**(197 784)**	193 451	**(229 362)**	236 157
Cash and cash equivalents at the beginning of the year		**323 985**	93 668	**276 298**	40 141
Effect of exchange rate movement on cash and cash equivalents		**3 382**	(220)	**–**	–
Release of restricted cash		**12 608**	37 086	**–**	–
Cash and cash equivalents at the end of the year		**142 191**	323 985	**46 936**	276 298

* *Refer to note 48 for reclassifications.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2020

1. BASIS OF PREPARATION

1.1 Reporting entity

Texton Property Fund Limited is a company listed on the Johannesburg Stock Exchange and is domiciled in the Republic of South Africa. The group financial statements include the financial statements of Texton Property Fund Limited ("Texton" or "the company" or "the fund"), its subsidiary companies, joint ventures and controlled trusts (together referred to as the group and individually as group companies). Where reference is made to the "group", this means the company or the group as appropriate in the context in which it applies.

Subsidiaries are set out in note 40.

1.2 Statement of compliance

The group and company financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the SAICA Financial Reporting Guides as issued by the accounting practices committee, the Financial Pronouncements as issued by the financial reporting standards council, the JSE Listings Requirements and the requirements of the South African Companies Act 2008.

1.3 Basis of measurement

The annual financial statements are prepared on the historical cost basis, unless otherwise stated, and the accounting policies set out below have been applied consistently to all periods presented in these annual financial statements. The annual financial statements are prepared on the basis that the company and its subsidiaries are going concerns.

1.4 Functional and presentation currency

These annual financial statements are presented in South African Rand ("Rand") which is the company's functional currency, rounded to the nearest thousand unless stated otherwise.

1.5 Use of estimates and judgements

The preparation of the financial statements in accordance with IFRS requires management to exercise its judgement in the process of applying the group's accounting policies and make estimates and assumptions concerning the future. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances.

The most significant judgements, estimates and assumptions that may have a material impact on the financial statements are as follows:

Valuation of investment property

The board has used the best available evidence to determine the fair value of investment properties as set out in note 5 to the financial statements. This includes current market prices for properties with similar characteristics and leases and cash flow projections. As the available information is not directly comparable to the properties within the group, the amounts are determined within a reasonable range of fair value. The principal assumptions underlying the board's estimation of fair value are disclosed in note 5 and include the receipt of contracted rentals, lease renewals, maintenance requirements, operational costs and appropriate discount and capitalisation rates. Management has also disclosed sensitivities to the significant inputs which can be found in note 5.

The outbreak of the COVID-19, declared by the World Health Organization ("WHO") as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. As a result of the effects of COVID-19 on the property market, the board has used conservative assumptions and estimates in determining the fair value of investment property. These assumptions are further detailed in note 5.

As at the valuation date the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. The valuations are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case.

Investment in joint venture

Texton has reclassified its loan in the joint venture as part of the net investment in the joint venture. In the prior year, the board assessed whether Texton would receive the contractual cash flows relating to the loan and it was noted that no cash flows were expected to be received on the loan. As a result of the loan not having contractual cash flows and that the cash settlement of the loan was neither planned nor likely to occur in the foreseeable future, Texton has reclassified its loan in the joint venture as part of the net investment in the joint venture.

Leases

Lease term

Where the group recognises a lease liability and corresponding right-of-use asset, consideration is given around the extension options of the lease, in terms of IFRS 16. In determining the lease term, all facts and circumstances are considered that create an economic incentive to exercise a renewal option. Renewal options and periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated.

The group applies judgement in assessing whether it is reasonably certain that options will be exercised. Factors considered include the length of the current lease term in determining whether a renewal option will be exercised.

For leases that continue indefinitely on a month-to-month basis and where the group has the right to terminate the lease without incurring a significant penalty, the group considers the broader economics of the contract to determine the lease term. Judgement has been applied in assessing the lease term and factors considered are the importance of the asset to the group's operations.

Lease discount rate

Except where a discount rate implicit in the lease has been stipulated in the lease agreement, the lease payments are discounted using the incremental borrowing rate. The incremental borrowing rate requires significant judgement.

Other areas of significant judgement and estimations:

- ECL provision for trade receivables (refer to note 11) where details are explained.

Assessment of COVID-19

The WHO announced that COVID-19 was a global pandemic on 11 March 2020, which subsequently resulted in the President of South Africa declaring a national state of disaster on 15 March 2020.

Texton took decisive action to preserve cash by activity managing our working capital through the crisis. Texton is mindful that many of our tenants and suppliers are small, medium and micro-enterprises ("SMMEs") and the lifeblood of the South African economy. Texton actively engaged with both our tenants and suppliers, adopting a solutions-orientated mindset in an effort to generate win-win outcomes for all parties.

In mitigating the risks associated with the pandemic, our priorities are the health and safety of our employees, the support of our tenants and suppliers and the management of working capital.

Management has considered all the possible financial effects the virus could have on the measurement, presentation and disclosure in the annual financial statements. Key areas are considered below:

- Investment property, refer to note 5 for assessment of impact of COVID-19
- Trade and other receivables, refer to note 11 for assessment of impact of COVID-19.

2. ACCOUNTING POLICIES

2.1 Basis of consolidation

The consolidated financial statements include the assets, liabilities and results of operations of the holding company, its subsidiaries and controlled trusts.

Subsidiaries

Subsidiaries are entities controlled by the company. The company controls an entity when it is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The annual financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

In the company financial statements, investments are accounted for at cost less accumulated impairment losses. A list of the group's subsidiaries is set out in note 40.

Joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

An interest in a joint venture is accounted for using the equity method, except when the investment is classified as held for sale in accordance with IFRS 5: *Non-current Assets Held for Sale and Discontinued Operations.*

Under the equity method, interests in joint ventures are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated and separate financial statements include the group's and company's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases. Unrealised gains on transactions between the group and a joint venture are eliminated to the extent of the group's interest therein. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

When the company loses joint control, the group proportionately reclassifies the related items which were previously accumulated in equity through other comprehensive income to profit or loss as a reclassification adjustment. In such cases, if an investment remains, that investment is measured to fair value, with the fair value adjustment being recognised in profit or loss as part of the gain or loss on disposal.

Business combinations

All business combinations are accounted for by applying the acquisition method in terms of IFRS 3.

Where the group obtains control of entities that own investment properties, or when the group acquires properties or a group of properties collectively, an evaluation is performed as to whether such acquisitions should be accounted for as business combinations or acquisitions in terms of IAS 40: *Investment Properties*.

An acquisition is not considered to be a business combination if the definition of a business is not met.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the group to the previous owners of the acquiree and equity interests issued by the company. Consideration transferred also includes the fair value of any contingent consideration. If a business combination results in the termination of pre-existing relationships between the group and the acquiree, then the lower of the termination amount, as contained in the agreement, and the value of the off-market element is deducted from the consideration transferred and recognised in other expenses.

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event and its fair value can be measured reliably.

Transaction costs that the company incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, are expensed as incurred.

The group has not early adopted the amendment to IFRS 3: *Business Combinations* as referred in note 49.

Common control transactions

For transactions in which combining entities are controlled by the same party or parties before and after the transaction and where that control is not transitory are referred to as common control transactions. The group's accounting policy for the acquiring entity would be to account for the transaction at book values as reflected in the financial statements of the selling entity. The excess of the case of the transactions over the acquirer's proportionate share of the net assets value acquired in common control transactions, will be allocated to the common control reserve in entity.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2020

2.2 Financial instruments

Classification

Financial instruments are contracts that give rise to financial assets in one entity and a financial liability or equity instrument in another entity.

Non-derivative financial assets

Financial assets are classified into the following categories: financial assets at fair value through profit or loss and financial assets at amortised cost. The classification depends on the contractual cash flow characteristics of the financial assets as well as the business model concerning the assets and is determined on initial recognition.

The group's non-derivative financial assets comprise trade and other receivables, cash and cash equivalents and loans which are classified as financial assets at amortised cost.

The group initially recognises financial assets at amortised cost and deposits on the date that they are originated when the group becomes party to the contractual provisions of the instrument. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the group becomes a party to the contractual provisions of the instrument.

The group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the group is recognised as a separate asset.

The group's non-derivative financial assets comprise loans and receivables.

Financial assets at amortised cost

Financial assets are classified at amortised cost when the contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the group's business model is to collect the contractual cash flows. Such assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, the instruments are measured as follows:

- **Trade and other receivables**

  Trade and other receivables are carried at amortised cost, being the gross carrying amount less an allowance for ECL. The group measures the loss allowance at an amount equal to lifetime ECL (the "simplified approach") of IFRS 9.

  Refer to note 11 for composition of trade and other receivables.

  Refer to note 2.5 for ECL assumptions.

- **Loans**

  Loans are carried at amortised cost, being the gross carrying amount less an allowance for ECL. Interest earned is recognised on an accrual basis using the effective interest method.

Non-derivative financial liabilities

The group initially recognises debt securities issued on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the group becomes a party to the contractual provisions of the instrument.

The group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured as follows:

- **Trade and other payables**

  Trade and other payables are measured at amortised cost using the effective interest rate method.

- **Other financial liabilities**

  Non-derivative financial liabilities comprising long-term interest-bearing loans are subsequently measured at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings, is recognised over the term of the borrowings in accordance with the group's accounting policy for borrowing costs.

- **Loans**

  Loans from group companies are classified as financial liabilities at amortised cost.

Stated capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Derivative financial instruments

The group utilises derivative financial instruments to hedge its exposure to interest rate risks and currency risks arising from operational, financing and investment activities. The group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments. Hedge accounting is not applied.

Derivative financial instruments are recognised initially at fair value. Attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value. The gain or loss on measurement to fair value is recognised immediately in profit or loss.

Offset

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when the group has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. An entity currently has a legally enforceable right to set off if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.

2.3 Investment property

Investment property is property (land and buildings) held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

On initial recognition, the investment property is measured at cost. The cost of investment property comprises the purchase price and directly attributable expenditure. Subsequent expenditure relating to investment property is capitalised when it is probable that it will result in future economic benefits and such expenditure can be measured reliably. All other subsequent expenditure is recognised in profit or loss in the period in which it is incurred.

After initial recognition, investment property is measured at fair value. Fair values are determined annually by external independent registered valuers and internally by the directors on the open market value basis. The valuers use either the discounted cash flow method or the capitalisation of net income method or a combination of both methods to determine the fair value. Gains or losses arising from changes in the fair values of investment property are included in profit or loss in the year in which they arise.

Investment property is maintained, upgraded and refurbished where necessary in order to preserve or improve the capital value as far as it is possible to do so. Maintenance and repairs which neither materially add to the value of the properties nor prolong their useful lives are charged against profit or loss.

Realised gains or losses on the disposal of investment property are recognised in profit for the year and are calculated as the difference between the proceeds and the carrying amount of the investment property as determined at the last valuation date.

When the group begins to re-develop an existing investment property for continued future use as investment property, the property remains investment property which is measured based on the fair value model and is not reclassified as property, plant and equipment during the re-development.

2.4 Plant and equipment

Recognition and measurement

Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Subsequent expenditure on items of plant and equipment is capitalised when it is probable that future economic benefits associated with that expenditure will flow to the group and such expenditure can be measured reliably. All other subsequent expenditure is recognised in profit or loss in the period in which it is incurred.

When parts of an item of plant and equipment have different useful lives and a cost that is significant in relation to the total cost of the item, they are accounted for as separate items (major components) of plant and equipment.

Gains and losses on disposal of an item of plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the item of plant and equipment, and are recognised net within other income in profit or loss.

Depreciation

Depreciation is calculated by allocating the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value on a systematic basis over the useful life of the asset.

Depreciation is recognised in profit or loss on a straight-line basis over the current estimated useful lives of each significant component of plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

Equipment	3 – 5 years
Furniture and fittings	6 years
Computer equipment	3 years
Tenant installations	Period of the initial lease

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

2.5 Impairment

Non-derivative financial assets

- **Trade and other receivables**

  The group measures the loss allowance for trade and other receivables at an amount equal to lifetime ECL (the so-called "simplified approach" of IFRS 9). The group makes use of a provision matrix as a practical expedient to the determination of ECL on trade and other receivables.

  The customer base is diverse, with significantly different loss patterns for different customer segments. The group combines customer segments which share similar credit risk characteristics for purposes of determining the credit loss allowance. Details of the provision matrix, per customer segment, is presented in note 11.

- **Loans**

  The group recognises a loss allowance for ECL on all loans receivable. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

  The loss allowance is measured using, what is referred to as the general approach, at an amount equal to lifetime ECL when there has been a significant increase in credit risk since initial recognition. If the credit risk has not increased significantly since initial recognition, then the loss allowance is measured at 12-month ECL.

  Lifetime ECL represents the ECL that will result from all possible default events over the expected life of an instrument, while 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2020

Refer to note 20 for further detail on how the group assesses significant increases in credit risk on loans.

ECL are measured individually for each loan to subsidiary or loan to group company based on the risks as discussed in note 20.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the loan's carrying amount through a loss allowance account.

Non-financial assets

The carrying amount of the group's and company's non-financial assets, other than investment property, are reviewed at each reporting date to determine whether there is an indication of impairment. If such an indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss. The recoverable amount of an asset is the greater of its value in use and its fair value less costs of disposal. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and there is an indication that the impairment loss no longer exists.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.6 Property letting commissions

Letting commissions are written off over the period of the lease. The carrying values of letting commissions are included in other non-current assets.

2.7 Investment property held for sale

Investment properties are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than continuing use.

Investment properties are only classified as held for sale when the property is available for immediate sale in its present condition, the company is committed to a plan to sell the investment property, an active plan has been launched to locate a buyer and complete the sale, the property is being actively marketed at a sale price that is reasonable in relation to the current fair value of the non-current asset or disposal group and the sale is expected to qualify for recognition as a completed sale within one year from the date of classification.

Such assets are measured at fair value.

2.8 Treasury shares

Company shares held by the share incentive scheme trust (formed for the benefit of employees) that have not yet vested and shares held by subsidiaries are classified as treasury shares on consolidation and presented as a deduction from equity. These shares are held at cost in the group financial statements.

Statement of financial position presentation

On purchase, the cost of the shares acquired is deducted from equity. Subsequently, any gain or loss on the sale or cancellation of the company's own equity instruments is recognised directly in equity.

Statement of comprehensive income presentation

Dividends and unrealised losses on own shares are eliminated from group profit for the year.

Earnings per share

In calculating the basic earnings per share, the treasury shares are deducted from the weighted average number of shares in issue. The issued and weighted average number of shares is reduced by the treasury shares for the purposes of the basic and headline earnings per share calculations. The issued number of shares is not reduced by the treasury shares for the purpose of the dividend per share calculations. Dividends received on treasury shares are eliminated against dividends paid.

When calculating the diluted earnings per share, the number of shares at year-end that have a dilutive effect are included in the weighted average number of shares.

2.9 Dividends paid

Dividends or other distributions to the holders of equity instruments, in their capacity as owners, are recognised directly in equity on the date of declaration.

2.10 Leases

IFRS 16 is effective for the group and company for its financial year ended 30 June 2020 with a date of transition of 1 July 2019.

In the comparative period leases were classified as either an operating or finance lease under IAS 17.

Policy applicable for the year ended 30 June 2020

Lessor accounting

The group and company are party to numerous leasing contracts as the lessor of property. All leases are operating leases, which are those leases where the group and company retain a significant portion of the risks and rewards of ownership.

The group allocates the consideration to each lease and non-lease component based on the amount as stipulated in the lease agreement as the rental for the asset is separate from the recovery of expenses.

An adjustment is made to contractual rental income earned to bring to account in the current period the difference between the rental income that the entity is currently entitled to and the rental for the period calculated on a smoothed, straight-line basis over the period of the lease term. This does not affect distributable earnings.

Costs incurred in an obtaining an operating lease are capitalised and these costs are recognised as an expense over the lease term.

Costs incurred in earning the lease income are recognised as an expense.

Modifications to an operating lease are accounted for as a new lease from the effective date of the modification, considering any lease income received in advance or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

With the adoption of IFRS 16, no changes have been made to the measurement and recognition of leased assets where the group is the lessor.

Lessee accounting

The group and company are party to lease contracts as lessee for the use of property and IT equipment.

The group allocates the consideration to each lease and non-lease component based on the amount as stipulated in the lease agreement as the rental for the asset is separate from the recovery of expenses.

- **Right-of-use asset**

  After the adoption date, the group recognises the right-of-use asset at the commencement date of the lease. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liabilities, any initial direct costs incurred by the group, any lease payments made in advance of the lease commencement date, less any incentives received.

  Right-of-use assets recognised as Investment property are subsequently measured at fair value.

- **Lease liability**

  The lease liability is initially measured at the present value of the future lease payments discounted using the group's incremental borrowing rate. Lease payments included in the measurement of the finance lease liability comprise:

  – fixed payments
  – variable lease payments dependent on an index or a rate, initially measured using the index or rate as at the lease commencement date.

  Subsequent to initial measurement, the lease liability will be reduced for payments made and increased by the interest cost. Interest costs are included in finance costs in the statement of profit or loss and other comprehensive income over the lease period.

- **Low-value leased assets**

  Rentals for the low-value leased assets are recognised in other operating expenses. Low-value assets include IT equipment. The group has applied the exemption in IFRS 16 for this asset, and a lease liability and right-of-use asset has not been recognised.

  The threshold for low-value assets are R100 000.

  The rental is straight lined over the lease term.

- **Variable lease payments**

  Variable lease payments that are based on turnover rental are excluded from the initial measurement of the lease liability and are recognised under property expenses. This has been disclosed separately under note 22.

  These lease payments are expensed on a straight-line basis over the lease term.

- **Short-term leases**

  Lease contracts with a term of less than 12 months are considered a short-term lease. The group has applied the exemption in IFRS 16 for this asset, and a lease liability and right-of-use asset has not been recognised.

  These lease payments are expensed on a straight-line basis over the lease term.

Policy applicable for the year ended 30 June 2019

A lease is classified as a finance lease if it transfers to the lessee substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer to the lessee substantially all the risks and rewards incidental to ownership.

Operating leases

The group and company are party to numerous leasing contracts as the lessor of the property. All leases are operating leases, which are those leases where the group and company retain a significant portion of the risks and rewards of ownership.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. An adjustment is made to contractual rental income earned to bring into account in the current period the difference between the rental income that the entity is currently entitled to and the rental for the period calculated on the straight-line basis over the period of the lease term.

The group and company are party to leasing contracts as the lessees of some property and equipment. Leases are classified as operating leases, where substantially all the risks and rewards associated with the ownership of the asset are not transferred from the lessor to the lessee. Operating lease rentals with fixed escalation clauses are recognised in profit or loss on straight-line basis over the lease term. The resulting difference arising from the straight-line basis and contractual cash flows is recognised as an operating lease asset or operating lease liability.

Finance leases

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Refer to note 44 for the adoption and impact of IFRS 16.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2020

2.11 Revenue

Revenue comprises rental income and recovery of expenses, excluding value added tax ("VAT"). Rental income from investment property is recognised in profit or loss on a straightline basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

Revenue from operating costs recoveries which is a non-lease component included within the lease agreements is accounted for in accordance with IFRS 15. The revenue is recognised over time, as the costs are incurred as and when the service is being rendered.

Revenue is recognised when a lease is signed and the tenant has taken occupation of the premises. Rental and recoveries are billed on a monthly basis on the South African properties and payment is due within the month either by the 1st or 15th of the month depending on the terms of the lease. For the properties located in the UK, rental is billed and received quarterly.

2.12 Finance income and finance costs

Finance income comprises interest income on bank balances, interest on cross currency interest rate swaps, interest on interest rate swaps and interest received on inter-company loans. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance-costs comprise interest expense on bank balances, interest on cross currency interest rate swaps, interest on interest rate swaps and bank loans. Finance costs are expensed in the period in which they are incurred.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised to the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. Other borrowing costs are expensed in the period in which they are incurred. Borrowing costs that are not directly attributable to the acquisition, construction or production of qualifying assets are recognised in profit or loss using the effective interest method.

2.13 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the group at the exchange rates as at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate as at the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate as at the date that the fair value was determined.

Foreign currency differences arising on translation are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the group's presentation currency (Rand) at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to Rand at the monthly average rate which approximates the actual rate.

Foreign currency translation reserve ("FCTR")

Foreign currency differences on translation of the financial position and results of a foreign operation into the group's presentation currency are recognised in other comprehensive income and accumulated in the FCTR. When a foreign operation is disposed of, in part so that control is lost, or in full, the relevant amount in the FCTR is reclassified to profit and loss as part of the profit or loss on disposal.

Where the settlement of a monetary item receivable from foreign operations is neither planned nor likely in the foreseeable future, foreign currency gains or losses arising from such item are considered to form part of the net investment in the foreign operation and are recognised in other comprehensive income and accumulated in the FCTR in equity.

2.14 Employee benefits

Short-term employee benefits

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service on an undiscounted basis. The accrual for employee entitlements to salaries, bonuses and annual leave represents the amount which the group has a present obligation to pay as a result of employees' service provided to the statement of financial position date. The group does not provide any retirement or post-retirement benefits.

Cash-settled share-based employee remuneration

Cash-settled share-based payments result in the recognition of a liability, which is an obligation to make a payment in cash or other assets, based on the price of the underlying equity instrument.

Employee services received in a cash-settled share-based payment are measured indirectly at the fair value of the liability at grant date. The initial measurement of the liability is based on the fair value of the underlying instruments. Measurement of the liability takes into account the extent to which services have been rendered to date.

The grant date fair value of the liability is recognised over the vesting period.

At each reporting date, and ultimately at the settlement date, the fair value of the recognised liability is remeasured. Remeasurement applies to the recognised portion of the liability through to vesting date. The full amount is remeasured from vesting date to settlement date.

Remeasurements after the vesting period are recognised immediately in profit or loss.

2.15 Income tax

Tax expenses

The charge for current taxation is based on the taxable income for the year using the rates enacted or substantively enacted at reporting date and any adjustment for tax payable or receivable for previous years.

The group is not liable for income tax in South Africa, only up to amounts distributed as it qualifies as a REIT in terms of the appropriate tax legislation and distributable profits are distributed as dividends. Profits that are not distributable in terms of section 25BB of the Income Tax Act are subject to South African tax at the applicable rate.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is recognised in respect of temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. The amount of deferred tax provided is based on the tax rates and tax laws that have been enacted by the reporting date, and the expected manner of realisation or settlement.

No deferred tax was recognised on the fair value of investment property as capital gains tax on investment property is not applicable to REITs in terms of section 25BB of the Income Tax Act.

The effect on deferred tax of any changes in tax rates is recognised in profit or loss, except to the extent that it relates to items previously charged or credited directly to other comprehensive income or equity. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current liabilities and assets, and they relate to taxes levied by the same authority on the same taxable entity, or on different tax entities, but they intend to settle current liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.16 Related party transactions

Related party transactions are transactions which result in a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. Related parties refer to entities which the group directly or indirectly, through one or more intermediaries, controls or is controlled by or is in common control with. These include the subsidiaries and group entities. Related parties also include the directors and the entities connected to the above.

2.17 Earnings per share

The group presents basic, diluted, headline earnings and diluted headline earnings per share. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the group by the weighted average number of shares outstanding during the year, adjusted for treasury shares held.

Diluted earnings per share is determined by dividing the profit or loss attributable to shareholders by the weighted average number of shares outstanding, adjusted for treasury shares held and the effects of all dilutive potential shares.

Headline earnings per share is calculated by dividing the headline earnings attributable to shareholders of the group by the weighted average number of shares outstanding during the year, adjusted for treasury shares held.

Diluted headline earnings per share is calculated by dividing the headline earnings attributable to shareholders by the weighted average number of shares outstanding during the year, adjusted for treasury shares held and the effect of all dilutive potential shares.

Headline earnings per share is calculated in terms of circular 01/2019.

2.18 Net asset value per share and net tangible asset value per share

Net asset value per share is calculated by dividing the equity of the group by the number of shares in issue at year-end adjusted for treasury shares held.

Net tangible asset value per share is calculated by dividing the equity excluding deferred tax of the group by the number of shares in issue at year-end adjusted for treasury shares held.

2.19 Segmental reporting

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the group's other components.

All operating segments' operating results are reviewed regularly by the group's chief executive officer to make decisions about resources to be allocated to the segment and to assess its performance and for which discrete financial information is available.

Segment results that are reported to the chief executive officer include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly head office expenses and income tax assets and liabilities. Segment capital expenditure is the total cost incurred during the year to acquire investment property and plant and equipment.

3. RISK MANAGEMENT

The group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk.

This note presents information about the group's exposure to each of the above risks, the group's objectives, policies and processes for measuring and managing risk, and the company's management of capital. Further quantitative disclosures are included throughout these annual financial statements.

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for the year ended 30 June 2020

Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Exposure to credit risk is influenced mainly by the individual characteristics of each tenant. The widespread tenant base reduces credit risk. Management has established a credit policy under which each new tenant is analysed individually for credit worthiness before the group's standard payment terms and conditions are offered which include, in the majority of cases, the provision of a deposit of at least one month's rental. When available, the review includes external ratings.

A loss allowance is recognised for all trade receivables and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation. Trade receivables which have been written off are not subject to enforcement activities.

The group makes use of a provision matrix to determine the loss allowance, in accordance with the simplified approach of IFRS 9. The provision matrix has been developed by making use of past default experience of debtors but also incorporates forward-looking information and general economic conditions of the industry as at the reporting date.

Trade receivables

The ECL is calculated by applying a loss rate to the outstanding balance of the debtor as at the financial year-end date. The portfolio is segmented into the following risk categories and separate loss rates are derived for each category:

- Region (SA/UK)
- Type of debtor (government, large listed, other)
- Arrears status of the debtor
- Where the debtor is in arrears, whether a payment was made in the month immediately preceding the financial year-end, or not.

The loss rate per segment is calculated as the product of the following:

- The probability of default ("PD")
- The loss given default ("LGD").

Probability of default

The definition of default that is used is 90 days, or more, in arrears. This definition is, however, applied carefully to certain cases:

- Certain entities, particularly the South African government, may be slow or irregular payers. A typical arrears or default provision is not necessarily held in such cases
- The terms of payment with certain entities may be such that payments are due less frequently than monthly.

Industry statistics that are publicly available from Moody's regarding historical default behaviour is utilised to estimate 12-month PDs for government entities, large listed corporates and other (SMMEs).

The ECLs on a 12-month and lifetime basis will not differ materially if applied to the trade receivables book. This is due to the short-term nature of the debt, which is one month's rental income.

Loss given default

The LGD assumptions for debtors that are not in default at the valuation date were set as follows:

- For the "Large Listed" sector, industry statistics were directly applied to set the LGD assumption as this is readily available
- For the "Other" sector, the LGD assumption was set at a level that is, in our experience, broadly consistent with past data and market practice on unsecured credit.

The LGD assumptions for debtors in default are set at the same level for those not in default, unless the debtor is material, in which case management applies specific LGD assumptions.

Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group manages liquidity risk by monitoring cash flows and ensuring that adequate cash is available and by maintaining or renewing borrowing facilities as appropriate.

The group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

Surplus cash is, however, utilised to reduce the other financial liabilities to optimise the borrowing costs. The facility is, however, an access facility and the surplus can be redrawn at any time should it be required to settle financial obligations.

Market risk

Market risk is the risk that changes in the market prices, such as interest rates, foreign exchange rates and equity prices will affect profit or loss or the value of the holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return on risk.

Interest rate risk

The group is exposed to interest rate risk as it borrows funds at variable interest rates. The risk is managed by group policies adopted to ensure all its borrowings are at market-related rates.

The group enters into interest rate derivatives to manage borrowing costs.

Foreign currency risk

The group's transactions are predominantly entered into in the respective functional currency of the company and the individual subsidiaries. However, the company utilises Pound Sterling borrowings and, consequently, is exposed to exchange rate fluctuations that have an impact on cash flows and financing activities. The translation of foreign operations to the presentation currency of Texton Property Fund Limited is not taken into account when considering foreign currency risk.

The group is exposed to currency risk in terms of Great British Pound ("GBP") borrowings and distributions from subsidiaries. The group manages exchange rate risk across all Rand debt facilities and dividend payments through the use of currency derivatives.

The group is not exposed to equity price risk.

Capital risk management

The group's objectives when managing capital are to safeguard the ability of the company and its subsidiaries to continue as going concerns in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the group consists of other financial liabilities and trade and other payables disclosed in notes 16 and 19 and equity as disclosed in the statement of financial position. The group monitors capital on the basis of the gearing ratio. The group considers the equity attributable to shareholders as the permanent capital of the group.

The board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

4. FAIR VALUES

A number of the group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the methods below. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The group has an established control framework with respect to the measurement of fair values.

This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values and reports directly to the chief financial officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third-party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuation should be classified.

Significant valuation issues are reported at each reporting date by the group's Capital and Investment committee for recommendation to the board and significant valuation issues are reported to the group's audit and risk committee.

Investment property

Independent valuation companies and the directors, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the group's investment property portfolio annually. The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation.

Valuations reflect, when appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, and the market's general perception of their credit-worthiness, the allocation of maintenance and insurance responsibilities between the group and the lessee, and the remaining economic life of the property.

Trade and other receivables

The fair value of trade and other receivables is estimated at the present value of future cash flows, discounted at the market rate of interest as at the reporting date. The carrying amount of short-term trade and other receivables reasonably approximates the fair value.

Derivatives

The fair value of interest rate swaps and currency swaps is based on banker quotes.

Non-derivative financial assets and liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest as at the reporting date.

Interest-bearing loans

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest as at the reporting date. The interest rate used for determining fair value is the three-month JIBAR interest rate for local currency, the three-month LIBOR interest rate or prime interest rate adjusted by a margin as agreed with the banks, to obtain a similar loan with similar remaining periods.

Trade and other payables

All trade and other payables are of a short-term nature and the carrying amount of trade and other payables approximates the fair value.

Loans to subsidiaries and group entities

The carrying amount of the loans receivable approximates the fair value due to the loans being repayble on demand.

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for the year ended 30 June 2020

5. INVESTMENT PROPERTY

	GROUP				
	Cost R'000	Cumulative fair value adjustments R'000	Cumulative straight-line rental adjustment R'000	Cumulative foreign currency adjustment R'000	Carrying amount R'000
30 June 2020					
Investment property	**3 302 841**	**(249 817)**	**77 548**	**18 485**	**3 149 057**
30 June 2019					
Investment property	3 725 710	(319 969)	81 358	(195 183)	3 291 916

	30 June 2020 R'000	30 June 2019 R'000
Reconciliation of movement in investment property for the year:		
Balance at beginning of year	**3 291 916**	4 534 810
Additions	**1 706**	5 491
Straight-line rental adjustment	**(2 719)**	(2 360)
Fair value adjustments	**(24 443)**	(690 671)
Transfer to investment property held for sale	**(330 601)**	(529 523)
Disposals	**(469)**	(12 400)
Foreign currency translation reserve	**213 667**	(13 431)
Balance at end of year	**3 149 057**	3 291 916

	COMPANY			
	Cost R'000	Cumulative fair value adjustments R'000	Cumulative straight-line rental adjustment R'000	Carrying amount R'000
30 June 2020				
Investment property	**1 636 373**	**(166 436)**	**41 464**	**1 511 401**
30 June 2019				
Investment property	1 696 731	(171 904)	48 573	1 573 400

	30 June 2020 R'000	30 June 2019 R'000
Reconciliation of movement in investment property for the year:		
Balance at beginning of year	**1 573 400**	2 133 950
Additions	**–**	3 173
Disposals	**(469)**	–
Straight-line rental adjustment	**(6 052)**	(2 687)
Fair value adjustments	**322**	(421 036)
Transfer to investment property held for sale	**(55 800)**	(140 000)
Balance at end of year	**1 511 401**	1 573 400

A register of investment property is maintained. The register is maintained at the company's registered offices and is available for viewing.

The fair value measurement for investment properties is categorised as level 3 under the fair value hierarchy based on the inputs to the valuation techniques used. There has been no movements to and from level 3 during the year.

5. INVESTMENT PROPERTY CONTINUED

The group's policy is to have at least one third of its properties to be externally valued by an independent valuer each year and the remaining properties valued internally by the directors of the company using methodology that is similar to that used by the independent valuers.

Investment property and property held for sale amounting to R3,7 billion (2019: R3,4 billion) has been pledged as security in respect of the loans disclosed in note 16. The below table sets out the number of properties that have been selected by the directors to be externally valued at 30 June 2020.

	% of portfolio	30 June 2020 R'000	30 June 2019 R'000
SA internally valued	37,4	934 700	977 100
SA externally valued	49,5	1 234 800	1 213 000
SA properties held for sale	13,1	326 492	373 900
Total SA properties	100	2 495 992	2 564 000
UK internally valued	46,9	587 907	492 673
UK externally valued	31,2	391 650	324 280
UK properties held for sale	21,9	274 801	202 723
Total UK properties	100	1 254 358	1 019 676
Total properties internally valued	40,5	1 522 607	1 469 773
Total properties externally valued	43,3	1 626 450	1 537 280
Total properties held for sale*	16,2	601 293	529 523
Total properties	100	3 750 350	3 536 576

* *Refer to note 12.*

The property valuations determine the current market value for the properties as maybe achieved on the market after due consideration of all market forces. Three of the properties included in held for sale were externally valued. Therefore a total of 13 properties, were externally valued.

COVID-19 Material Valuation uncertainty relating to the valuation of investment property held in South Africa and the United Kingdom

The outbreak of the COVID-19, declared by the WHO as a global pandemic on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Our external valuations have been reported on the basis of material valuation uncertainty as per VPS 3 and VPGA 10 of the RICS Red Book Global. Similarly our internal valuations have followed the same conservative approach. The result of COVID-19 has meant less certainty – and a higher degree of caution – should be attached to the valuations than would normally be the case. Given the unknown future impact that COVID-19 might have on the valuations, management has taken the approach to use conservative assumptions around market rental, market rental growth rates, capitalisation rate, exit capitalisation rate and discount rates.

Details of SA valuations

Details of the external independent valuers are as follows:

Peter Parfitt (Dip val, MIV SA, RICS) of Quadrant Properties Proprietary Limited, who are independent and members of the South African Institute of Valuers, independently valued seven properties in the South Africa portfolio as at 30 June 2020.

Theunis Behrens (NDip Val) of Real Insight Proprietary Limited, who are independent and a member of the South African Institute of Valuers, independent valued three properties in the South African portfolio.

Valuation technique

The fair value of each property is determined by calculating its net present value by discounting forecasted future net cash flows and a residual value at the end of the cash flow projection period by the discount rate of each property. The discount rate used to determine the fair value of each property is assessed with reference to observable inputs. The capitalisation rate is dependent on a number of factors including location, asset class, market conditions and the risk inherent in the property.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2020

5. INVESTMENT PROPERTY CONTINUED

Significant unobservable inputs

Financial information used to calculate forecast net income – e.g., future growth in revenue, exit capitalisation rates and discount rates. These are further explained below.

	30 June 2020 %	30 June 2019 %
1) Discount rates used are included below:		
Sector		
Office	**14,8 – 16,8**	14,5 – 17,0
Industrial	**15,8**	14,5 – 16,8
Retail	**14,8 – 16,0**	15,3 – 15,5
2) Exit cap rates for year five used are included below:		
Sector		
Office	**9,8 – 12,5**	9,3 – 12,0
Industrial	**11,0 – 11,3**	10,0 – 11,0
Retail	**10,0 – 10,8**	10,0 – 10,5
3) The future revenue growth rate for the five-year projection is included below:		
Sector		
Office	**2,0 – 5,5**	4,0 – 6,0
Industrial	**5,0 – 5,5**	5,0 – 5,5
Retail	**4,0 – 5,0**	5,5

Inter-relationship between key unobservable inputs and fair value measurements

All other factors being equal, higher net operating income would lead to an increase in the valuation of an investment property and an increase in the capitalisation rate or discount rate would result in a lower valuation and vice versa.

Higher assumptions for rental rates and lower assumptions for operating costs, would result in an increase in projected net operating income, and thus an increase in valuation.

	30 June 2020 R'000	30 June 2019 R'000
Sensitivity analysis to exit capitalisation rates		
Exit capitalisation rate increases by 1%	**(112 853)**	(126 362)
Exit capitalisation rate decreases by 1%	**131 098**	152 189
Sensitivity analysis to discount rates		
Discount rate increases by 1%	**(83 458)**	(83 271)
Discount rate decreases by 1%	**80 845**	86 553
Sensitivity analysis to market rentals		
Market rental decreases by 1%	**(19 407)**	(23 804)
Market rental increases by 1%	**19 648**	23 780

5. INVESTMENT PROPERTY CONTINUED

Details of valuation – United Kingdom

Details of the external independent valuers are as follows:

On the United Kingdom portfolio, three properties have been valued by independent external valuers of which one is classified under investment property and two under investment property held for sale.

All external valuers are Registered Valuers of The Royal Institution of Chartered Surveyors ("RICS"), in the United Kingdom.

The valuation has been carried out in accordance with the current edition of the RICS Valuation – Professional Standards, published by The Royal Institution of Chartered Surveyors (the Red Book).

The external valuations were carried out by:

- Savills (UK) Limited
- CBRE Limited
- Allsop LLP.

Valuation techniques

The property valuations were prepared based on the equivalent yield or income capitalisation method whereby the fair value of property is determined by applying an equivalent yield to a market related rental into perpetuity.

Significant unobservable inputs

	30 June 2020 %	30 June 2019 %
1) Equivalent yields used are included below:		
Sector		
Office	6,0 – 8,6	8,0 – 8,3
Industrial	6,4 – 7,0	5,8 – 7,4
Retail	6,5 – 8,8	6,9 – 9,3

	30 June 2020 R'000	30 June 2019 R'000
2) Annual market rentals per square feet used are included below:		
Sector		
Office	9 129,2 – 18 552,0	7 109,2 – 15 366,3
Industrial	2 851,5 – 26 264,0	2 632,4 – 22 502,2
Retail	278,7 – 10 312,6	312,3 – 8 854,3

Inter-relationship between key unobservable inputs and fair value measurements

All other factors being equal, higher net operating income would lead to an increase in the valuation of an investment property and an increase in the capitalisation rate or discount rate would result in a lower valuation and vice versa.

Higher assumptions for rental rates and lower assumptions for operating costs, would result in an increase in projected net operating income, and thus an increase in valuation.

	30 June 2020 R'000	30 June 2019 R'000
Sensitivity analysis to exit capitalisation rates		
Equivalent yield increases by 1%	(155,154)	(131,677)
Equivalent yield rate decreases by 1%	209,167	178,934
Sensitivity analysis to market rentals		
Market rental decreases by 1%	(6,241)	(5,717)
Market rental increases by 1%	6,241	5,807

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2020

6. PLANT AND EQUIPMENT

	30 June 2020		
	Cost R'000	Accumulated depreciation R'000	Carrying amount R'000
GROUP			
Equipment	9 730	(6 641)	3 089
Furniture and fixtures	41	(27)	14
Computer equipment	338	(205)	133
	10 109	(6 873)	3 236
COMPANY			
Equipment	3 856	(2 475)	1 381
Furniture and fixtures	15	(1)	14
Computer equipment	328	(199)	129
	4 199	(2 675)	1 524

	30 June 2019		
	Cost R'000	Accumulated depreciation R'000	Carrying amount R'000
GROUP			
Equipment	7 607	(5 856)	1 751
Furniture and fixtures	26	(25)	1
Computer equipment	310	(151)	159
Computer software	522	(522)	–
	8 465	(6 554)	1 911
COMPANY			
Equipment	3 039	(2 162)	877
Computer equipment	300	(148)	152
Computer software	419	(419)	–
	3 758	(2 729)	1 029

6. PLANT AND EQUIPMENT CONTINUED

Reconciliation of movement in carrying amount of plant and equipment

	GROUP				
	Opening carrying amount R'000	Additions R'000	Disposals R'000	Depreciation R'000	Closing carrying amount R'000
2020					
Equipment	1 751	2 123	–	(785)	3 089
Furniture and fixtures	1	15	–	(2)	14
Computer equipment	159	28	–	(54)	133
Computer software	–	–	–	–	–
	1 911	2 166	–	(841)	3 236
2019					
Equipment	1 476	871	–	(596)	1 751
Furniture and fixtures	2	–	–	(1)	1
Computer equipment	196	39	(11)	(65)	159
Computer software	177	–	(165)	(12)	–
	1 851	910	(176)	(674)	1 911

	COMPANY				
	Opening carrying amount R'000	Additions R'000	Disposals R'000	Depreciation R'000	Closing carrying amount R'000
2020					
Equipment	877	817	–	(313)	1 381
Furniture and fixtures	–	15	–	(1)	14
Computer equipment	152	28	–	(51)	129
	1 029	860	–	(365)	1 524
2019					
Equipment	662	434	–	(219)	877
Computer equipment	186	39	(11)	(62)	152
Computer software	177	–	(164)	(13)	–
	1 025	473	(175)	(294)	1 029

7. TENANT INSTALLATION

	GROUP		COMPANY	
	30 June 2020 R'000	30 June 2019 R'000	30 June 2020 R'000	30 June 2019 R'000
Cost	22 357	34 397	18 981	17 342
Accumulated depreciation	(16 268)	(22 949)	(15 046)	(11 137)
Carrying amount	6 089	11 448	3 935	6 205
Opening carrying amount	11 448	11 908	6 205	8 698
Additions	3 265	4 754	1 640	1 232
Depreciation	(8 624)	(5 214)	(3 910)	(3 725)
Closing carrying amount	6 089	11 448	3 935	6 205

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED
for the year ended 30 June 2020

8, OTHER NON-CURRENT ASSETS

Other non-current assets consist of commissions raised on property transactions.

	GROUP		COMPANY	
	30 June 2020 R'000	30 June 2019 R'000	30 June 2020 R'000	30 June 2019 R'000
Commissions capitalised	6 278	9 125	3 828	4 956
Loan to Huawei*	–	664	–	664
	6 278	9 789	3 828	5 620
Opening carrying amount	9 789	19 370	5 620	15 647
Additions	3 613	5 751	2 434	3 169
Forfeiture of Equites acquisition deposit and costs paid	–	(10 543)	–	(10 543)
Repayment of loan to Huawei	–	(332)	–	(332)
Amortisation of letting commission	(7 124)	(4 457)	(4 226)	(2 321)
Closing carrying amount	6 278	9 789	3 828	5 620

* *The loan to Huawei bears interest at prime plus 2% and matures in July 2020. As the loan is due in the next 12 months, the loan has been included under trade and other receivables in the current year. Refer to note 11.*

9. OTHER FINANCIAL ASSETS

	GROUP		COMPANY	
	30 June 2020 R'000	30 June 2019 R'000	30 June 2020 R'000	30 June 2019 R'000
Cross currency interest rate swaps	–	57 488	–	57 488

The group has entered into cross currency interest rate swaps with Investec Bank plc, whereby it receives fixed interest on its Rand-based currency amount and pays floating interest on its GBP-based currency amount. The cross currency interest rate swap is "out of the money" at 30 June 2020 and has been classified under other financial liabilities. Refer to note 16.

10. RESTRICTED CASH

	GROUP		COMPANY	
	30 June 2020 R'000	30 June 2019 R'000	30 June 2020 R'000	30 June 2019 R'000
Restricted cash balances are as follows:				
Current portion	–	12 782	–	–
Closing balance	–	12 782	–	–

Restricted cash relates to prepaid rental for Tesco Chobe. The property was sold on 8 July 2019 and the restricted cash was released to Texton.

11. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	30 June 2020 R'000	30 June 2019 R'000	30 June 2020 R'000	30 June 2019 R'000
Trade receivables	41 178	10 937	17 094	2 723
Tenant recovery accounts	18 284	11 675	9 190	7 118
Deposits	6 107	6 277	4 323	4 206
Other receivables	447	12 088	306	3 290
Allowance for impairment	(35 162)	(7 567)	(19 488)	(1 631)
	30 854	33 410	11 425	15 706
Prepayments	8 134	7 890	1 453	1 924
Accrued interest	5 234	2 620	5 063	2 620
	44 222	43 920	17 941	20 250

Exposure to credit risk

Trade and other receivables inherently expose the group to credit risk. The policies and procedures adopted by the group to manage credit risk arising from trade and other receivables are disclosed in note 3 Risk management. During the current year, the group's credit risk policies have been strengthened in order to deal with the current economy and the impact of COVID-19.

The ECL allowance is recognised for all trade receivables and is monitored at the end of each reporting period.

In addition to the loss allowance, trade and other receivables and tenant recovery accounts are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation. Trade receivables which have been written off are not subject to enforcement activities.

The group makes use of a provision matrix to determine the loss allowance, in accordance with the simplified approach of IFRS 9 as presented on pages 32 to 35. The provision matrix has been developed by making use of forward-looking information and general economic conditions of the industry as at the reporting date. The group incorporated future property growth percentages in addition to the respective credit ratings (at reporting date) of trade and other receivables to the ECL calculation as the forward-looking factors in the ECL calculations.

The definition of default that is used is 90 days, or more, in arrears. The definition is, however, applied carefully to certain cases:

- Certain entities, particularly the South African government, may be slow or irregular payers. A typical arrears or default provision is not necessarily held in such cases
- The terms of payments with certain entities may be such that payments are due less frequently than monthly.

Collateral relating to bank guarantees and deposits from tenants were considered in the determination of the ECL.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2020

11. TRADE AND OTHER RECEIVABLES CONTINUED

Exposure to credit risk continued

Even though the customer base is widespread, management monitors the tenant credit risk by grouping them according to their credit characteristics. The collective basis was used when considering impairment and trade receivables were grouped as follows: government, large listed and other. The provision for credit losses is therefore based on the accounts receivable age analysis along these risk groupings. The loss allowance provision is determined as follows:

	30 June 2020				
	GROUP				
Tenant class	Current R'000	30 days R'000	60 days R'000	>90 days R'000	Total R'000
Government					
– Gross carrying amount	7 926	–	–	154	8 080
– Loss allowance (%)	–	–	–	0,04	–
– Credit loss allowance	–	–	–	–	–
Net amount	7 926	–	–	154	8 080
Large listed					
– Gross carrying amount	21	3 795	–	228	4 044
– Loss allowance (%)	–	0,03	–	70,18	3,98
– Credit loss allowance	–	(1)	–	(160)	(161)
Net amount	21	3 794	–	68	3 883
Other					
– Gross carrying amount	13 639	5 420	2 253	32 580	53 892
– Loss allowance (%)	35,59	81,38	81,58	73,35	64,95
– Credit loss allowance	(4 853)	(4 411)	(1 838)	(23 899)	(35 001)
Net amount	8 786	1 009	415	8 681	18 891
Total trade and other receivables					
– Gross carrying amount	21 586	9 215	2 253	32 962	66 016
– Loss allowance (%)	22,49	47,88	81,60	72,99	53,26
– Credit loss allowance	(4 853)	(4 412)	(1 838)	(24 059)	(35 162)
Net amount	16 773	4 803	415	8 903	30 854

11. TRADE AND OTHER RECEIVABLES CONTINUED

Exposure to credit risk continued

	30 June 2020				
	COMPANY				
Tenant class	Current R'000	30 days R'000	60 days R'000	>90 days R'000	Total R'000
Government					
– Gross carrying amount	5 922	–	–	154	6 077
– Loss allowance (%)	–	–	–	–	–
– Credit loss allowance	–	–	–	–	–
Net amount	5 922	–	–	154	6 077
Large listed					
– Gross carrying amount	–	–	–	228	228
– Loss allowance (%)	–	–	–	70,00	70,00
– Credit loss allowance	–	–	–	(160)	(160)
Net amount	–	–	–	68	68
Other					
– Gross carrying amount	7 733	568	1 085	15 222	24 608
– Loss allowance (%)	77,57	50,31	81,57	79,87	78,50
– Credit loss allowance	(5 999)	(286)	(885)	(12 158)	(19 328)
Net amount	1 734	282	200	3 065	5 320
Total trade and other receivables					
– Gross carrying amount	13 655	568	1 085	15 605	30 913
– Loss allowance (%)	43,93	50,31	81,60	78,94	63,04
– Credit loss allowance	(5 999)	(286)	(885)	(12 318)	(19 488)
Net amount	7 656	282	200	3 287	11 425

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2020

11. TRADE AND OTHER RECEIVABLES CONTINUED

Exposure to credit risk continued

	30 June 2019				
	GROUP*				
Tenant class	Current R'000	30 days R'000	60 days R'000	>90 days R'000	Total R'000
Government					
– Gross carrying amount	2 007	–	–	155	2 162
– Loss allowance (%)	–	–	–	29,68	2,14
– Credit loss allowance	–	–	–	(46)	(46)
Net amount	2 007	–	–	109	2 116
Large listed					
– Gross carrying amount	6 384	87	–	–	6 471
– Loss allowance (%)	–	1,15	–	–	0,02
– Credit loss allowance	–	(1)	–	–	(1)
Net amount	6 384	86	–	–	6 470
Other					
– Gross carrying amount	22 622	672	98	8 952	32 344
– Loss allowance (%)	–	17,56	18,37	82,47	23,25
– Credit loss allowance	(1)	(118)	(18)	(7 383)	(7 520)
Net amount	22 621	554	80	1 569	24 824
Total trade and other receivables					
– Gross carrying amount	31 013	759	98	9 107	40 977
– Loss allowance (%)	–	15,68	18,37	81,57	18,47
– Credit loss allowance	(1)	(119)	(18)	(7 429)	(7 567)
Net amount	31 012	640	80	1 678	33 410

* *The gross carrying amount in the table has been updated to tie into the note.*

11. TRADE AND OTHER RECEIVABLES CONTINUED

Exposure to credit risk continued

	30 June 2019				
	COMPANY*				
Tenant class	**Current R'000**	**30 days R'000**	**60 days R'000**	**>90 days R'000**	**Total R'000**
Government					
– Gross carrying amount	4 215	–	–	155	4 370
– Loss allowance (%)	–	–	–	29,08	1,05
– Credit loss allowance	–	–	–	(46)	(46)
Net amount	4 215	–	–	109	4 324
Large listed					
– Gross carrying amount	–	–	–	–	–
– Loss allowance (%)	–	–	–	–	–
– Credit loss allowance	–	–	–	–	–
Net amount	–	–	–	–	–
Other					
– Gross carrying amount	10 545	24	66	2 332	12 967
– Loss allowance (%)	–	100	83,33	64,58	12,22
– Credit loss allowance	–	(24)	(55)	(1 506)	(1 585)
Net amount	10 545	–	11	826	11 382
Total trade and other receivables					
– Gross carrying amount	14 760	24	66	2 487	17 337
– Loss allowance (%)	–	100	83,33	62,41	9,41
– Credit loss allowance	–	(24)	(55)	(1 552)	(1 631)
Net amount	14 760	–	11	935	15 706

* *The gross carrying amount in the table has been updated to tie into the note.*

Reconciliation of credit loss allowance

	GROUP		COMPANY	
	30 June 2020 R'000	**30 June 2019 R'000**	**30 June 2020 R'000**	**30 June 2019 R'000**
Opening balance	**(7 567)**	(9 072)	**(1 631)**	(1 805)
Adjustments on adoption of IFRS 9	**–**	98	**–**	441
Amounts written off	**–**	2 111	**–**	865
Loss allowances on new trade receivables	**(27 595)**	(1 603)	**(17 857)**	(1 132)
Reversal of allowances	**–**	899	**–**	–
Closing balance	**(35 162)**	(7 567)	**(19 488)**	(1 631)

Gross trade receivables increased by an amount of R30,2 million at a group level and R14,3 million at a company level compared to 2019, largely as a result of the current economic conditions and the COVID-19 pandemic, which has put pressure on tenants and their ability to fully service their debt. Post level 4 of the lockdown in South Africa, we are starting to see improvements in tenants ability to pay.

Management has included a 20% overlay on the ECL provision to cater for the expected impact of the current COVID-19 pandemic. The overlay has been applied to the balance of tenants not impaired based on the credit ratings and default rates used.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2020

11. TRADE AND OTHER RECEIVABLES CONTINUED

The impact of COVID-19 on trade and other receivables has resulted in an increase in the ECL provision by R7,9 million. The impact of the changes in the rate of the overlay used are reflected in the table below:

Tenant class	Recognised COVID-19 R'000	5% increase R'000	10% increase R'000
20% overlay applied to ECL	7 931	397	793

Sensitivity analysis

Movements in the PD rates used would have the following impact on the ECL provision:

	R'000
– PD rates increase by 10%	2 029
– PD rates decrease by 10%	(2 029)

Movements in the LGD rates used would have the following impact on the ECL provision:

	R'000
– LGD rates increase by 10%	2 029
– LGD rates decrease by 10%	(2 029)

12. INVESTMENT PROPERTY CLASSIFIED AS HELD FOR SALE

	GROUP		COMPANY	
	30 June 2020 R'000	30 June 2019 R'000	30 June 2020 R'000	30 June 2019 R'000
Opening balance	529 523	272 156	140 000	–
Transferred from investment property	330 601	529 523	55 800	140 000
Fair value adjustments	(45 608)	–	(21 900)	–
Foreign currency translation reserve	(2 766)	–	–	–
Loss on disposal of property	(1 529)	–	–	–
Proceeds on disposals	(208 928)	(272 156)	–	–
Closing balance	601 293	529 523	173 900	140 000
Breakdown of closing balance				
Cost	734 992	657 158	251 905	192 017
Cumulative straight-line adjustment	3 825	2 798	1 673	615
Cumulative fair value adjustment	(137 524)	(130 433)	(79 678)	(52 632)
Closing balance	601 293	529 523	173 900	140 000

The items classified as held for sale comprise investment properties. The items were classified as held for sale as a disposal strategy was identified prior to year-end and it is expected that the transfer of the assets will be concluded in the 2021 financial year-end.

These disposals are in line with the group's strategy of reducing the non-core portfolio of assets and in terms of improving the overall balance sheet strength.

Management has assessed the assets that were previously held for sale but not yet sold. These assets still meet the requirements of IFRS 5 and the sale of these assets are expected to conclude in the next 12 months.

Fair value losses of R45,6 million (2019: R148,0 million) and R24,6 million (2019: R53,7million), respectively, for the group and company were included in profit or loss for the year.

Assets of R326,5 million are included in the SA segment and R274,8 million in the UK segment.

13. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	30 June 2020 R'000	**30 June 2019 R'000**	**30 June 2020 R'000**	**30 June 2019 R'000**
Cash and cash equivalents comprise:				
Bank balances	**142 191**	323 985	**46 936**	276 298

All cash reserves are placed with reputable financial institutions. The bank's credit ratings are shown below which have an estimated potential default rating of zero, therefore ECL of Rnil was raised.

Absa	Ba1 (Moody's Investor Services)
Standard Bank	Ba1 (Moody's Investor Services)
Investec	Baa3 (Moody's Investor Services)
HSBC	Aa3 (Moody's Investor Services)
Santander UK PLC	Aa3 (Moody's Investor Services)
Investec UK	Baa1 (Moody's Investor Services)
Butterfields	A3 (Moody's Investor Services)

14. SHARE CAPITAL

	GROUP		COMPANY	
	30 June 2020 R'000	**30 June 2019 R'000**	**30 June 2020 R'000**	**30 June 2019 R'000**
Authorised				
2 000 000 000 (2019: 2 000 000 000) ordinary shares of no par value				
Issued				
376 066 766 (2019: 376 066 766) ordinary shares of no par value	**3 098 489**	3 098 489	**3 098 489**	3 098 489
10 428 348 (2019: 10 428 348) shares issued to the share incentive scheme	**(100 000)**	(100 000)	**–**	–
	2 998 489	2 998 489	**3 098 489**	3 098 489
16 243 865 (2019: 16 243 865) treasury shares of no par value	**(156 016)**	(156 016)	**–**	–
	2 842 473	2 842 473	**3 098 489**	3 098 489
Treasury shares				
10 428 348 (2019: 10 428 348) shares were issued to the Employee Share Scheme at an average cost of R11,31 per share and these have been accounted for as treasury shares.				
16 243 865 (2019: 16 243 865) shares are held in Discus House Proprietary Limited as treasury shares.				
Share capital				
Ordinary shares of no par value				
Opening balance	**2 842 473**	2 257 206	**3 098 489**	2 513 222
Plus: Extinguishment of PIC Put Option liability*	**–**	585 267	**–**	585 267
Closing balance	**2 842 473**	2 842 473	**3 098 489**	3 098 489

* *The extinguishment of the PIC Put Option was credited directly to share capital because the initial recognition of the PIC Put Option was recognised in equity.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2020

14. SHARE CAPITAL CONTINUED

	GROUP		COMPANY	
	Number of shares 30 June 2020	Number of shares 30 June 2019	Number of shares 30 June 2020	Number of shares 30 June 2019
Share reconciliation				
Ordinary shares of no par value				
Opening balance	**394 394 553**	394 394 553	**376 066 766**	376 066 766
Less: Treasury shares acquired	**–**	–	**–**	–
Closing balance	**394 394 553**	394 394 553	**376 066 766**	376 066 766

15. FOREIGN CURRENCY TRANSLATION RESERVES

The FCTR arose from the conversion of Heddon Investment Holdings Limited, Zeya Investment Holdings Limited, Chobe Investment Holdings Limited, Chevelon Investment Holdings Limited, Cheltondale Investment Holdings Limited, Forbesdale Investment Holdings Limited, Onslow Investment Holdings Limited, Ganix Investment Holdings Limited and Malabar Investment Holdings Limited from their functional currency, GBP, to South African Rand on consolidation and from the conversions of the loans to foreign operations where settlement is neither planned nor likely in the foreseeable future, and are considered to form part of the net investment in foreign operations.

	GROUP	
	30 June 2020 R'000	30 June 2019 R'000
Opening balance	**(213 879)**	(214 954)
Movement through other comprehensive income	**102 241**	1 075
Closing balance	**(111 638)**	(213 879)

The closing exchange rate as at 30 June 2020 was R21,52:GBP1 (2019: R17,87:GBP1) and the average exchange rate for the 12 months ended 30 June 2020 was R19,76:GBP1 (2019: R18,46:GBP1).

16. OTHER FINANCIAL LIABILITIES

Summary

	GROUP		COMPANY	
	30 June 2020 R'000	30 June 2019 R'000	30 June 2020 R'000	30 June 2019 R'000
Standard Bank Limited (note 16.1)	933 667	1 141 823	933 667	1 141 823
Investec Private Bank Limited (note 16.2)	367 133	328 728	367 133	328 728
Santander Limited (note 16.3)	–	235 359	–	–
HSBC (note 16.4)	696 557	535 301	–	–
	1 997 357	2 241 211	1 300 800	1 470 551
At fair value through profit or loss				
Interest rate swaps	53 301	14 565	48 764	14 966
Cross currency interest rate swap (note 16.2)	32 164	–	32 164	–
Total swaps	85 465	14 565	80 928	14 966
	2 082 822	2 255 776	1 381 728	1 485 517
Reconciliation of non-current and current portion				
Non-current portion	1 626 382	535 301	929 342	–
Current portion	456 440	1 720 475	452 386	1 485 517
	2 082 822	2 255 776	1 381 728	1 485 517

16.1 Standard Bank Limited

	GROUP		COMPANY	
	30 June 2020 R'000	30 June 2019 R'000	30 June 2020 R'000	30 June 2019 R'000
Carried at amortised cost	935 991	1 142 484	935 991	1 142 484
Less: Redraw portion of facility	–	–	–	–
Standard Bank Limited loan (net)	935 991	1 142 484	935 991	1 142 484
Structuring fees capitalised to loan	(2 324)	(1 221)	(2 324)	(1 221)
Amortisation of structuring fees	–	560	–	560
	933 667	1 141 823	933 667	1 141 823
Amounts to be settled within 12 months included in current liabilities	(85 253)	(371 883)	(85 253)	(371 883)
Amounts reclassified to current liabilities due to covenant breaches condoned after year-end	–	(769 940)	–	(769 940)
	848 414	–	848 414	–
Carried at fair value through profit or loss				
Interest rate swaps	22 129	10 567	22 129	10 567
	22 129	10 567	22 129	10 567

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2020

16. OTHER FINANCIAL LIABILITIES CONTINUED

16.1 Standard Bank Limited continued

				GROUP		COMPANY	
Facility	Maturity date	Variable base rate	Margin %	30 June 2020 R'000	30 June 2019 R'000	30 June 2020 R'000	30 June 2019 R'000
Rnil (2019: R200 million)	31 January 2020	3m JIBAR	1,80	–	200 818	–	200 818
Rnil (2019: R50,5 million)	31 March 2021	3m JIBAR	1,95	–	50 891	–	50 891
Rnil (2019: R200 million)	30 November 2020	3m JIBAR	1,75	–	200 815	–	200 815
Rnil (2019: R85,3 million)	31 August 2020	3m JIBAR	1,65	–	85 961	–	85 961
Rnil (2019: R140,0 million)	31 August 2020	3m JIBAR	2,00	–	140 119	–	140 119
Rnil (2019: R175,0 million)	31 March 2020	3m JIBAR	1,88	–	172 700	–	172 700
Rnil (2019: R350 million)	31 August 2020	Prime	(1,60)	–	291 180	–	291 180
R80,6 million (2019: Rnil million)	30 June 2021	3m JIBAR	1,95	81 759	–	81 759	–
R149,1 million (2019: Rnil million)	31 December 2021	Prime	(0,60)	149 630	–	149 630	–
R250,7 million (2019: Rnil million)	31 December 2022	3m JIBAR	2,35	251 884	–	251 884	–
R451,6 million (2019: Rnil million)	30 June 2023	3m JIBAR	2,45	452 718	–	452 718	–
				935 991	1 142 484	935 991	1 142 484

Texton has a security SPV, Imvula Income RF Proprietary Limited, in which all South African mortgage bonds are registered. Imvula then issues guarantees to the various funders. Guarantees relate to groups own liabilities which are already fully disclosed.

The Standard Bank loans are secured by mortgage bonds over land and buildings located in South Africa with a value of R1 734,2 million (2019: R1 780,7 million). Loan covenants applicable to the Standard Bank facilities are as follows:

- LTV ratio for the group may not exceed 50%
- Group interest cover of a minimum of 2,0 times
- LTV ratio for the Standard Bank facilities may not exceed 65%
- Interest cover ratio for the facility must be a minimum of 2,0 times.

None of the covenants were breached during the year.

During the year, the existing Standard Bank facilities were restructured with extended maturity dates and new terms. In terms of IFRS 9, this resulted in substantial modification the original facilities were derecognised and new liabilities were recognised on the statement of financial position.

Interest rate swaps

				GROUP		COMPANY	
	Fixed base rate %	Inception date	Maturity date	30 June 2020 R'000	30 June 2019 R'000	30 June 2020 R'000	30 June 2019 R'000
Interest rate swap 1	7,40	16 May 2017	16 May 2021	225 000	225 000	225 000	225 000
Interest rate swap 2	7,27	16 May 2017	16 May 2020	–	225 000	–	225 000
Interest rate swap 3	7,19	15 February 2018	2 November 2020	200 000	200 000	200 000	200 000
Interest rate swap 4	7,82	15 February 2018	30 June 2021	270 000	270 000	270 000	270 000
				695 000	920 000	695 000	920 000

16. OTHER FINANCIAL LIABILITIES CONTINUED

16.2 Investec Private Bank Limited

	GROUP		COMPANY	
	30 June 2020 R'000	30 June 2019 R'000	30 June 2020 R'000	30 June 2019 R'000
Carried at amortised cost	**366 531**	330 040	**366 531**	330 040
Structuring fees capitalised to loan	**(629)**	(1 860)	**(629)**	(1 860)
Amortisation of structuring fees	**1 231**	548	**1 231**	548
	367 133	328 728	**367 133**	328 728
Amounts to be settled within 12 months included in current liabilities	**(367 133)**	–	**(367 133)**	–
Amounts reclassified to current liabilities due to covenant breaches condoned after year-end	**–**	(328 728)	**–**	(328 728)
	–	–	**–**	–
Carried at fair value through profit or loss				
Interest rate swaps	**26 635**	4 399	**26 635**	4 399
	26 635	4 399	**26 635**	4 399

				GROUP		COMPANY	
Facility	Maturity date	Variable base rate	Margin %	30 June 2020 R'000	30 June 2019 R'000	30 June 2020 R'000	30 June 2019 R'000
R204,6 million (2019: R149 million)*	22 May 2021	3m JIBAR	2,50	**204 593**	150 679	**204 593**	150 679
GBP7,5 million (2019: GBP10 million)*	22 May 2021	3m LIBOR	3,50	**161 938**	179 361	**161 938**	179 361
				366 531	330 040	**366 531**	330 040

* *On 22 May 2020, Texton converted a GBP2,5 million of this facility to a Rand facility equating R55 million on transaction date. This was done to decrease balance sheet currency risk in the fund.*

Texton has a security SPV, Imvula Income RF Proprietary Limited, in which all South African mortgage bonds are registered. Imvula then issues guarantees to the various funders.

The Investec loan is secured by mortgage bonds over land and buildings located in South Africa with a value of R755,3 million (2019: R652,5 million).

Loan covenants applicable to the Investec facilities are as follows:

- LTV ratio for the group may not exceed 50%
- Group interest cover of a minimum of 2,0 times
- LTV ratio for the Investec facilities may not exceed 55%.

None of the covenants were breached during the year.

Interest rate swaps

				GROUP		COMPANY	
	Fixed base rate %	Inception date	Maturity date	30 June 2020 R'000	30 June 2019 R'000	30 June 2020 R'000	30 June 2019 R'000
Interest rate swap 1	7,31	15 February 2018	15 February 2022	**200 000**	200 000	**200 000**	200 000
Interest rate swap 2	7,23	24 May 2019	24 May 2023	**100 000**	100 000	**100 000**	100 000
Interest rate swap 3*	7,39	24 May 2019	24 May 2023	**100 000**	100 000	**100 000**	100 000
				400 000	400 000	**400 000**	400 000

* *Two-year forward, effective 24 May 2021.*

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for the year ended 30 June 2020

16. OTHER FINANCIAL LIABILITIES CONTINUED

16.2 Investec Private Bank Limited continued

Cross Currency swap

	GROUP		COMPANY	
	30 June 2020 R'000	**30 June 2019 R'000**	**30 June 2020 R'000**	**30 June 2019 R'000**
Cross currency interest rate swaps	(32 164)	–	(32 164)	–

The market-to-market on the cross-currency interest rate swap was R32,1 million in the current year. In the prior year the cross-currency interest rate swap was "in the money" and included under other financial assets.

	R'000	GBP'000	We receive %	We pay
2 September 2021	600 000	30 801	11	3m LIBOR +3,18%
27 January 2022*	128 547	7 710	12	3m LIBOR +3,98%

* *This swap was closed out during the year.*

16.3 Santander UK plc

	GROUP		COMPANY	
	30 June 2020 R'000	**30 June 2019 R'000**	**30 June 2020 R'000**	**30 June 2019 R'000**
Carried at amortised cost	–	236 117	–	–
Structuring fees capitalised to loan	–	(2 389)	–	–
Amortisation of structuring fees	–	1 631	–	–
	–	235 359	–	–
Amounts to be settled within 12 months included in current liabilities	–	235 359	–	–
	–	–	–	–

			GROUP		COMPANY	
Facility	**Maturity date**	**Margin %**	**30 June 2020 R'000**	**30 June 2019 R'000**	**30 June 2020 R'000**	**30 June 2019 R'000**
GBPnil (2019: GBP0,378 million)	27 February 2020	3,66	–	6 762	–	–
GBPnil (2019: GBP0,378 million)	27 February 2020	3,61	–	6 762	–	–
GBPnil (2019: GBP2,972 million)	27 February 2020	3,61	–	53 105	–	–
GBPnil (2019: GBP1,506 million)	27 February 2020	3,61	–	26 916	–	–
GBPnil (2019: GBP7,875 million)	27 February 2020	3,61	–	142 572	–	–
			–	236 117	–	–

Following the disposal of Tesco Chobe on 8 July 2019, the proceeds were used to settle R205,6 million of the loan. The facility expired during the year, the facilities were settled with funds obtained from the HSBC refinance . Refer to note 16.4 for details on the refinance.

16. OTHER FINANCIAL LIABILITIES CONTINUED

16.4 HSBC

	GROUP		COMPANY	
	30 June 2020 R'000	30 June 2019 R'000	30 June 2020 R'000	30 June 2019 R'000
Carried at amortised cost	707 024	538 862	–	–
Structuring fees capitalised to loan	(10 467)	(4 906)	–	–
Amortisation of structuring fees	–	1 345	–	–
	696 557	535 301	–	–
Amounts to be settled within 12 months included in current liabilities	(4 054)	–	–	–
	692 503	535 301	–	–
Carried at fair value through profit or loss				
Interest rate swaps	4 537	(401)	–	–
	4 537	(401)	–	–

				GROUP		COMPANY	
Facility	**Maturity date**	**Variable base rate**	**Margin %**	30 June 2020 R'000	30 June 2019 R'000	30 June 2020 R'000	30 June 2019 R'000
GBPnil (2019: GBP4,2 million)	15 August 2021	3m LIBOR	2,00	–	75 401	–	–
GBPnil (2019: GBP10,2 million)	15 August 2021	3m LIBOR	2,00	–	184 276	–	–
GBPnil (2019: GBP5,9 million)	15 August 2021	3m LIBOR	2,00	–	106 100	–	–
GBPnil (2019: GBP5,1 million)	15 August 2021	3m LIBOR	2,00	–	91 943	–	–
GBPnil (2019: GBP4,5 million)	15 August 2021	3m LIBOR	2,00	–	81 142	–	–
GBP5,5 million (2019: GBPnil)	23 June 2025	3m LIBOR	2,25	119 109	–	–	–
GBP10,9 million (2019: GBPnil)	23 June 2025	3m LIBOR	2,25	235 722	–	–	–
GBP4,4 million (2019: GBPnil)	23 June 2025	3m LIBOR	2,25	96 319	–	–	–
GBP5,2 million (2019: GBPnil)	23 June 2025	3m LIBOR	2,25	113 277	–	–	–
GBP4,0 million (2019: GBPnil)	23 June 2025	3m LIBOR	2,25	88 012	–	–	–
GBP1,0 million (2019: GBPnil)	23 June 2025	3m LIBOR	2,25	23 255	–	–	–
GBP1,5 million (2019: GBPnil)	23 June 2025	3m LIBOR	2,25	31 330	–	–	–
				707 024	538 862	–	–

During the year, the existing HSBC facilities were restructured with additional funds being obtained with extended maturity dates and new terms. In terms of IFRS 9, this resulted in substantial modification the original facilities were derecognised and new liabilities were recognised on the statement of financial position.

In terms of IFRS 9, the original loans were derecognised at its carrying amount and new loans recognised on the balance sheet. The structuring fee on the previous facility was written off when the new facility was recognised.

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for the year ended 30 June 2020

16. OTHER FINANCIAL LIABILITIES CONTINUED

16.4 HSBC continued

The HSBC loans are secured by mortgage bonds over land and buildings situated in the UK owned by Texton's subsidiaries to the value of GBP54,3 million (2019: GBP50,2 million).

Loan covenants applicable to the HSBC facilities are as follows:

- LTV ratio for the HSBC facilities may not exceed 65%
- Historical interest cover ratio for the facility must be a minimum of 2 times
- Projected interest cover ratio for the facility must be a minimum of 1,75 times.

None of the covenants were breached during the year.

Texton entered into a Guarantee and Indemnity agreement with HSBC with respect to the aforementioned facilities. The total amount recoverable by HSBC from Texton is limited to the aggregate amount realised from the disposal of shares or value of shares of each of the entities.

Interest rate swaps

				GROUP		COMPANY	
	Fixed base rate %	Inception date	Maturity date	30 June 2020 R'000	30 June 2019 R'000	30 June 2020 R'000	30 June 2019 R'000
Interest rate swap 1 GBP10,2million	0,495	12 August 2016	12 August 2021	**219 496**	188 307	**–**	–
Interest rate swap 2 GBP4,2million	0,495	12 August 2016	12 August 2021	**90 381**	77 538	**–**	–
Interest rate swap 3 GBP5,9million	0,495	12 August 2016	12 August 2021	**127 179**	109 107	**–**	–
Interest rate swap 4 GBP5,0million	1,282	30 November 2018	12 August 2021	**108 694**	93 249	**–**	–
Interest rate swap 5 GBP4,5million	1,282	30 November 2018	12 August 2021	**95 926**	82 295	**–**	–
				641 676	550 496	–	–

These are the nominal value of the interest rate swaps converted at closing spot rate at 30 June 2020.

17. LEASE LIABILITY

	GROUP		COMPANY	
	30 June 2020 R'000	30 June 2019 R'000	30 June 2020 R'000	30 June 2019 R'000
Witwatersrand Estates Limited	**3 252**	3 326	**–**	–

A lease was entered over the property namely Erf 531, Woodmead extension 5 and Erf 532, Woodmead extension 5. The lease term is over 40 years with the option to renew.

The net carrying amount of the investment property held under this finance lease is R107 million (2019: R111,7 million). The current year interest expense amounted to R0,3million (2019:R0,4 million).

17. LEASE LIABILITY CONTINUED

Minimum lease rentals payable	<1 year R'000	2 – 5 years R'000	>5 years R'000	Total R'000
30 June 2020				
Lease payments	472	1 889	5 077	7 438
Finance charges	(387)	(1 478)	(2 321)	(4 186)
Net present values	85	411	2 756	3 252
30 June 2019				
Lease payments				
Finance charges	472	2 361	4 605	7 438
Net present values	(396)	(1 950)	(1 766)	(4 112)
	76	411	2 839	3 326

Refer to note 44, for the adoption and impact of IFRS 16 for the group's leases.

The group has not included the option to renew in the calculation of the lease liability.

18. DEFERRED TAX

	GROUP		COMPANY	
	30 June 2020 R'000	30 June 2019 R'000	30 June 2020 R'000	30 June 2019 R'000
Deferred tax liability	12 754	7 303	3 102	3 102
Deferred tax liability comprises:				
Investment property building allowances	12 754	7 303	3 102	3 102
The movement in deferred tax during the year is as follows:				
Opening balance	7 303	7 303	3 102	3 102
Foreign currency translation movement	20	–	–	–
Recognised in profit or loss	5 431	–	–	–
Closing balance	12 754	7 303	3 102	3 102

With effect from 1 July 2013, Texton was converted to a REIT. Consequently, no deferred tax was raised on the fair value adjustments to investment property. Section 25BB of the Income Tax Act allows for the deduction of the qualifying distribution paid to shareholders, but the deduction is limited to taxable income. To the extent that no tax will be payable in future as a result of the qualifying distribution, no deferred tax was raised on items such as the straight-line lease income adjustment.

Deferred tax recognised on the UK properties is due to change in the tax treatment of capital gains tax. On 4 April 2019, non-resident landlords were subject to capital gains taxation ("CGT").

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for the year ended 30 June 2020

19. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	30 June 2020 R'000	30 June 2019 R'000	30 June 2020 R'000	30 June 2019 R'000
Financial instruments				
Trade and other payables	–	1 430	–	–
Other payables	6 253	1 190	6 251	97
Accrued expenses*	53 553	39 477	23 357	20 482
Deposits received	16 834	15 300	8 329	7 224
Non-financial instruments				
VAT payable	4 893	3 994	2 644	2 536
Income received in advance	26 390	27 238	4 758	5 276
Share appreciation rights scheme (note 43)	–	1 689	–	1 689
	107 923	90 318	45 339	37 304

* *Due to the impact of COVID-19, in order to manage cash flows, management utilised extended credit terms with suppliers which resulted in an increase in accrued expenses in the current year.*

20. LOANS TO/(FROM) GROUP COMPANIES AND LOAN TO GROUP ENTITY

Credit rating framework and credit loss allowance

In order to determine the credit loss allowances, management determine credit rating grades of each loan. In cases where external ratings are not available, management have determined internal grades as per the following table:

Internal rating grade	Definition
Performing	Low risk of defaults and no amounts are past due.
Doubtful low risk	30 days past due but less than 90 days past due and no history of default or where there is an impairment of the investment of the subsidiary due to a decrease in the fair value of the underlying properties.
Doubtful high risk	30 days past due but less than 90 days past due and has history of default or where there is an impairment of the investment of the subsidiary due to a significant decrease in the fair value of the underlying properties.
In default	90 days or more past due.

All loans made by Texton to its subsidiaries and group entities are classified as measured at amortised cost. The following loans' credit risk was assessed and it was determined that they are performing well, as there has not been a deterioration in credit risk since the loans were originated. Therefore, the ECL allowance was limited to the 12-month ECL. No material ECL was accounted for on these loans:

- Cheltondale Investment Holdings Limited
- Heddon Investment Holdings Limited
- Zeya Investment Holdings Limited
- Chevelon Investment Holdings Limited
- Onslow Investment Holdings Limited
- Forbesdale Investment Holdings Limited
- Ganix Investment Holdings Limited
- Malabar Investment Holdings Limited
- Texton UK Limited
- Investage Properties 183 Proprietary Limited
- Imperial Comm Props Proprietary Limited
- Nungu Trading 88 Proprietary Limited
- Texton Prop Co Proprietary Limited

20. LOANS TO/(FROM) GROUP COMPANIES AND LOAN TO GROUP ENTITY CONTINUED

Credit rating framework and credit loss allowance continued

The following loans were considered as having a significant increase in credit risk and have been categorised in the category "doubtful high risk". Therefore, the ECL allowance recognised during the period was the lifetime ECL:

- Discus House Trading Proprietary Limited
- Texton Property Fund Share Incentive Scheme Trust.

		COMPANY			
			June 2020		June 2019
	Basis of loss allowance	Gross carrying amount R'000	Credit loss allowance R'000	Amortised cost R'000	Gross carrying amount R'000
Current assets					
Vunani Property Investment Trust*	12-month ECL	–	–	–	330 698
Cheltondale Investment Holdings Limited**	12-month ECL	134 016	–	134 016	107 322
Forbesdale Investment Holdings Limited**	12-month ECL	31 137	(556)	30 581	42 226
Investage 183 Proprietary Limited*	12-month ECL	127 661	–	127 661	135 377
Onslow Investment Holdings Limited**	12-month ECL	50 966	–	50 966	43 440
Discus House Proprietary Limited*	Lifetime ECL	156 152	(6 844)	149 308	155 842
Chevelon Investment Holdings Limited*	12-month ECL	11 183	–	11 183	31 320
Imperial Comm Props Proprietary Limited*	12-month ECL	44 981	–	44 981	40 976
Chobe Investment Holdings Limited**	12-month ECL	–	–	–	24 036
Nungu Trading 88 Proprietary Limited	12-month ECL	1 201	–	1 201	1 201
Zeya Investment Holdings Limited**	12-month ECL	19 800	–	19 800	18 460
Heddon Investment Holdings Limited**	12-month ECL	14 768	–	14 768	12 699
Texton Property Fund Limited Share Incentive Scheme Trust	Lifetime ECL	115 171	(83 163)	32 008	62 915
Ganix Investment Holdings Limited**	12-month ECL	–	–	–	852
Malabar Investment Holdings Limited**	12-month ECL	7 761	–	7 761	11 847
Texton Propco Proprietary Limited	12-month ECL	45	–	45	16
Texton UK Limited	12-month ECL	1 334	–	1 334	428
		716 176	(90 563)	625 613	1 017 655
Current liabilities					
Sable Place Properties 121 Proprietary Limited*		(1 348)	–	(1 348)	(1 439)
Vunani Property Investment Trust*		–	–	–	(100 922)
Ganix Investment Holdings Limited**		(679)	–	(679)	–
		(2 027)	–	(2 027)	(102 361)
Loans to group entities		115 171	(83 163)	32 008	393 613
Loans to subsidiaries		601 005	(7 400)	593 605	624 042
Loans from subsidiaries		(2 027)	–	(2 027)	(1 439)

* *The loans bear no interest and are repayable on demand.*

** *The loans bear interest at 6,5% and are repayable on demand.*

Refer to note 40 for details of which entities are subsidiaries.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2020

20. LOANS TO/(FROM) GROUP COMPANIES AND LOAN TO GROUP ENTITY CONTINUED

Credit rating framework and credit loss allowance continued

Expected credit losses have been calculated in line with the group's methodology. In determining whether there has been an increase in credit risk of the borrower, the group asses the financial records of the borrowing entity and their ability to repay the loan. Where that assessment results in an inability to repay the loan, a significant increase in risk is identified and the Expected credit loss calculation in line with life time expected credit losses is applied. The lifetime expected credit loss is effectively the sum of the 10 years expected future loss after factoring in Probability of defaults ("PDs") based on a low, moderate and high scenarios and Loss given defaults "LGDs"). The PD is based on the same 12-month PDs used in Trade Receivables due to the demand feature in the loans receivable. The PD is multiplied by a factor when there is a Significant increase in credit risk on the loan. The LGD used is based on the difference between Total Assets and Total Liabilities. Discount factor used is based on the terms of the loans. The different scenarios used have different probabilities assigned to them as well as their effects on PDs.

Loans to group company's are only written off when a borrower has defaulted on the terms of the loan or has ceased trading and has insufficient funds available to settle the loan.

Where a significant increase in credit risk is identified, the ECL is calculated based on the life time expected credit loss, otherwise a 12 month expected credit loss is determined.

Discount rates used represent the interest rate attributable to the loan as per the requirements of IFRS 9.

Changes in these discount rates do not have a material impact on the expected credit loss calculation.

Reconciliation of credit loss allowances

	Gross carrying amount R'000	12-month ECL R'000	Lifetime ECL (originated not credit impaired) R'000	Total R'000
30 June 2020				
Opening balance	1 127 017	(1)	(109 361)	1 017 655
Loans advanced	27 191	–	–	27 191
Loans repaid	(27 009)	–	–	(27 009)
Interest paid	(25 277)	–	–	(25 277)
Repayment of loan by increased capital contribution/ subscription of shares	(295 900)	–	–	(295 900)
Cession of inter-company loans from Chobe to Texton*	49 348	–	–	49 348
Foreign exchange on translation of foreign loans	70 242	–	–	70 242
Loans previously classified as liabilities that have been settled	(102 361)	–	–	(102 361)
Portion of capital loan waived*	(109 102)	–	–	(109 102)
Write off	–	–	108 318	108 318
Current year allowance	–	1	(89 520)	(89 519)
	714 149	–	(90 563)	623 586
Loans to subsidiaries				593 605
Loans to group entities				32 008
Loans from subsidiaries				(2 027)
				623 586

* *Refer to note 47 for the inter-company restructure that was undertaken during the year.*

20. LOANS TO/(FROM) GROUP COMPANIES AND LOAN TO GROUP ENTITY CONTINUED

Reconciliation of credit loss allowances continued

	Gross carrying amount R'000	12-month ECL R'000	Lifetime ECL (originated not credit impaired) R'000	Total R'000
30 June 2019				
Opening balance as previously stated	1 279 523	–	–	1 279 523
Adjustments on adoption of IFRS 9	–	(1)	(61 733)	(61 734)
Restated balance	1 279 523	(1)	(61 733)	1 217 789
Loans advanced	77 693	–	–	77 693
Loans repaid	(230 199)	–	–	(230 199)
Impairment allowance	–	–	(47 628)	(47 628)
	1 127 017	(1)	(109 361)	1 017 655

21. INVESTMENT PROPERTY INCOME

	GROUP		COMPANY	
	30 June 2020 R'000	30 June 2019 R'000	30 June 2020 R'000	30 June 2019 R'000
Rental income	420 800	459 896	233 984	240 244
Recoveries of utilities from tenants	101 105	98 129	63 925	61 184
	521 905	558 025	297 909	301 428

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for the year ended 30 June 2020

22. PROPERTY EXPENSES

	GROUP		COMPANY	
	30 June 2020 R'000	30 June 2019 R'000	30 June 2020 R'000	30 June 2019 R'000
Agents commission	125	101	–	–
Bad debts written off	8	2 141	–	865
Cleaning	3 225	3 444	1 796	1 937
Commissions amortised	7 124	4 457	4 226	2 321
Depreciation	9 376	5 783	4 195	3 913
Electricity consumption	57 586	51 135	37 944	33 638
Gardens and landscaping	2 171	2 109	889	869
Insurance	3 963	3 195	1 000	1 112
Levies	7 559	7 321	3 918	3 681
Other municipal charges	7 125	7 869	4 482	5 789
Other property-related expenses*	8 969	9 333	4 498	4 631
Property management fees	12 709	14 701	7 423	8 206
Rates and taxes	36 284	38 852	24 746	27 905
Rental paid**	3 584	4 801	–	–
Repairs and maintenance	4 391	15 655	2 659	6 102
– Recovered from tenants	268	888	48	200
– Not recovered from tenants	4 123	14 767	2 611	5 902
Security	8 695	8 702	3 856	3 769
Valuation costs	1 154	1 513	694	1 130
Water consumption	8 482	9 808	5 858	7 019
Waterproofing	1 250	2 514	383	1 515
	183 780	193 434	108 567	114 402

* *Other property-related expenses include consumables, legal and professional fees, lift and air-conditioning contracts among others.*

** *Included in rental paid are variable lease payments, refer to note 44.*

23. OTHER INCOME

	GROUP		COMPANY	
	30 June 2020 R'000	30 June 2019 R'000	30 June 2020 R'000	30 June 2019 R'000
Distribution from subsidiaries and group entities*	–	–	123 955	126 632
Lease cancellation fees	4 363	9 995	802	9 995
Sundry income	352	1 005	55	228
	4 715	11 000	124 812	136 855

* *Refer to note 48 for reclassification of distribution from group entity.*

24. FINANCE INCOME

	GROUP		COMPANY	
	30 June 2020 R'000	30 June 2019 R'000	30 June 2020 R'000	30 June 2019 R'000
From investments in financial assets				
Bank and other cash	10 209	8 131	8 865	7 474
Interest received on swaps	75 159	82 126	74 172	80 933
Other	412	278	406	–
From loans to group and other related parties				
Subsidiaries	–	–	18 222	26 087
	85 780	90 535	101 665	114 494

Refer to note 48 for reclassification of distribution from group entity.

25. FINANCE COSTS

	GROUP		COMPANY	
	30 June 2020 R'000	30 June 2019 R'000	30 June 2020 R'000	30 June 2019 R'000
Amortised cost				
Standard Bank Limited (variable)	83 471	94 551	83 072	94 551
Investec Private Bank Limited (variable)	21 993	22 213	21 993	22 213
Santander loan (fixed)	4 020	13 131	–	–
HSBC (variable)	13 281	12 990	–	–
Nedbank (variable)	–	188	–	–
Banks and other*	1 635	3 155	42	366
Amortisation of structuring costs	5 897	4 091	1 344	1 242
Lease liability*	398	405	–	–
Fair value through profit or loss				
Interest rate swaps	10 683	4 093	9 712	3 642
Interest on currency swaps	27 513	29 381	27 513	29 381
	168 891	184 198	143 676	151 395

* *Interest on the lease liability was previously included under "Banks and other" is now disclosed separately.*

26. FAIR VALUE ADJUSTMENTS

	GROUP		COMPANY	
	30 June 2020 R'000	30 June 2019 R'000	30 June 2020 R'000	30 June 2019 R'000
Investment property	(25 973)	(690 671)	322	(421 211)
Investment property classified as held for sale	(44 079)	(3 030)	(21 900)	–
Loss on disposal of property	(1 529)	–	–	–
Share appreciation rights	1 689	(980)	1 689	(980)
Financial instruments at fair value through profit or loss				
Interest rate swap and foreign exchange contract ("FEC")	(37 305)	(23 039)	(32 638)	(16 396)
Currency swap	(89 652)	18 196	(89 652)	18 196
	(196 849)	(699 524)	(142 179)	(420 391)

Refer to note 48 for reclassification of impairment of investment in subsidiaries.

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27. CAPITAL EXPENSES

	GROUP		COMPANY	
	30 June 2020 R'000	30 June 2019 R'000	30 June 2020 R'000	30 June 2019 R'000
Costs incurred on PIC Put Option	–	3 807	–	3 807
Costs incurred on unsuccessful business acquisition	–	10 543	–	10 543
	–	14 350	–	14 350

28. INCOME TAX

	Note	GROUP 30 June 2020 R'000	GROUP 30 June 2019 R'000	COMPANY 30 June 2020 R'000	COMPANY 30 June 2019 R'000
South African normal tax expense					
Current year		(59 244)	(21 697)	(63 317)	(1 098)
United Kingdom normal tax expense					
Current year		(5 554)	(8 095)	–	–
Prior year		1 206	–	–	–
Deferred tax					
Current year	18	(5 431)	–	–	–
		(69 023)	(29 792)	(63 317)	(1 098)

	GROUP		COMPANY	
	30 June 2020 %	30 June 2019 %	30 June 2020 %	30 June 2019 %
Statutory rate	(28,00)	(28,00)	(28,00)	(28,00)
Non-taxable income	(0,01)	–	(37,22)	(4,41)
Non-deductible expenses	80,98	41,77	203,97	42,64
Over provision prior years	0,55	1,98	–	0,23
Taxable income of group entity	–	–	22,27	1,73
Section 25BB qualifying distribution	–	(12,19)	–	(11,94)
Temporary differences that will be included in future distributions	52,25	0,04	20,08	(0,03)
Capital allowances	(1,79)	–	–	–
Recoupment	–	0,11	9,23	0,02
Assessed loss brought forward	5,64	–	–	–
Income tax differential	2,66	0,80	–	–
Capital gains tax	–	0,83	–	–
Tax rate differential	–	0,51	–	–
	112,28	5,85	190,33	0,23

28. INCOME TAX CONTINUED

	GROUP		COMPANY	
	30 June 2020 R'000	30 June 2019 R'000	30 June 2020 R'000	30 June 2019 R'000
Reconciliation of effective tax rate				
Loss before income tax	(61 478)	(508 146)	(33 266)	(485 790)
Income tax at statutory rate 28%	17 214	142 281	9 315	136 021
Non-taxable income				
Distribution from subsidiaries (foreign)	–	–	7 569	12 224
Share-based payment	–	–	–	–
Distribution from group entity	–	–	4 812	9 198
Non-deductible expenditure				
Revaluation investment property	(6 844)	(193 388)	90	(117 890)
Revaluation of investment property held for sale	(12 770)	–	(6 132)	–
Scrapping of assets	–	(49)	–	(49)
Fair value adjustments on swaps	(35 920)	(1 356)	(34 613)	504
Profit/(loss) on the liquidation of subsidiary	–	(2 532)	–	1 415
ECL on inter-company loans	–	–	(25 065)	(13 335)
Capital expenses	–	(4 018)	–	(4 018)
Professional fees	(2 474)	(972)	(520)	(701)
Interest and penalties	(360)	(375)	(53)	–
Profit/(loss) from joint venture	9 719	(8 841)	9 719	(8 841)
Loss on disposal of property	(428)	–	–	–
Amortisation of structuring fees	(1 144)	(362)	(376)	(348)
SAR Incentive Scheme liability	473	(274)	473	(274)
Leave pay provision	(35)	(90)	(35)	(90)
Impairment of investments	–	–	(11 343)	(63 491)
Change in recognised deductible temporary differences				
Over provision prior years	(341)	(10 072)	–	(1 098)
Taxable income of group entity	–	–	(7 406)	(8 384)
Section 25BB qualifying distribution	–	61 919	–	58 017
Temporary differences that will be included in future distributions	(31 008)	(209)	(6 681)	140
Recoupment of wear and tear allowances	–	(576)	–	(98)
Recoupment of previously claimed foreign exchange losses	–	–	(3 071)	–
Assessed loss brought forward	(3 470)	–	–	–
Income tax differential	(1 635)	(4 081)	–	–
CGT	–	(4 229)	–	–
CGT differential	–	(2 568)	–	–
	(69 023)	(29 792)	(63 317)	(1 098)

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for the year ended 30 June 2020

28. INCOME TAX CONTINUED

	GROUP		COMPANY	
	30 June 2020 R'000	30 June 2019 R'000	30 June 2020 R'000	30 June 2019 R'000
Income tax paid				
Income tax receivable at beginning of year	1 228	13 745	9 640	1 228
Income tax payable at beginning of year	(9 409)	–	(9 510)	–
Charged to profit or loss	(63 592)	(29 792)	(63 317)	(1 098)
Foreign currency translation difference	(852)	80	–	–
Income tax payable at end of year	28 599	9 409	23 904	9 510
Income tax receivable at end of year	(3 451)	(1 228)	–	(9 640)
	(47 477)	(7 786)	(39 283)	–

29. CASH GENERATED BY OPERATIONS

	GROUP		COMPANY	
	30 June 2020 R'000	30 June 2019 R'000	30 June 2020 R'000	30 June 2019 R'000
Loss before tax	(61 478)	(508 146)	(33 266)	(485 790)
Adjusted for:				
Amortisation and depreciation	16 591	10 345	8 510	6 340
Impairment allowance	27 595	(1 505)	17 857	45 867
Dividends received**	–	–	(123 955)	(126 632)
Profit from joint venture	(34 711)	1 499	(34 711)	1 158
Finance income**	(85 780)	(90 535)	(101 665)	(114 494)
Straight line adjustment	2 720	2 360	6 052	2 687
Finance costs	168 891	184 198	143 676	151 395
Fair value adjustments*	197 008	698 544	143 868	419 236
Share-based payment expense	(1 689)	980	(1 689)	980
Unrealised foreign exchange loss/(gains)	43 235	2 924	(27 858)	14 735
ECL on loans receivable	–	–	89 519	
Assets scrapped	–	176	–	175
Forfeiture of equities deposit	–	10 543	–	10 543
Leave pay provision	125	–	125	–
Impairment of investment in joint venture	–	30 077	–	30 418
Non-cash disposals	470	–	470	–
Loss on disposal of investment property	1 529	–	–	–
Impairment of investments*	–	–	40 512	226 757
Cash generated before working capital changes	274 506	341 460	127 445	183 375
Changes in working capital:				
– (Increase)/decrease in trade and other receivables	(26 713)	6 336	(17 642)	(2 407)
– Increase/(decrease) in trade and other payables	15 086	(12 962)	9 026	(8 208)
Cash generated by operations	262 879	334 834	118 829	172 760

* *In the prior year, impairment of investments was included under fair value adjustments.*

** *Refer to note 48 for reclassifications.*

30. LIABILITIES ARISING FROM FINANCING ACTIVITIES

	GROUP								
			Non-cash changes						
	1 July 2019 R'000	Cash flows* R'000	Foreign exchange movement R'000	Changes in fair values R'000	Re-finance R'000	Re-classifi-cation R'000	Struct-uring fees amortised R'000	Interest accrual R'000	Total R'000
30 June 2020									
Non-current interest-bearing borrowings	535 301	(409 630)	151 561	–	–	1 257 975	5 708	–	1 540 915
Current interest-bearing borrowings	1 705 909	(1 867)	–	–	–	(1 258 054)	–	10 452	456 440
Assets held to hedge long-term borrowings	14 566	(73)	97	128 286	–	(57 409)	–	–	85 467
Total liabilities from financing activities	2 255 776	(411 570)	151 658	128 286	–	(57 488)	5 708	10 452	2 082 822
30 June 2019									
Non-current interest-bearing borrowings	367 109	(5 821)	(11 545)	–	466 233	(295 026)	4 091	10 260	535 301
Current interest-bearing borrowings	1 886 674	(11 425)	–	–	(466 233)	295 026	–	1 867	1 705 909
Prepaid rent long-term	12 758	(12 958)	200	–	–	–	–	–	–
Prepaid rent short-term	11 767	(11 951)	184	–	–	–	–	–	–
Assets held to hedge long-term borrowings	(6 286)	(445)	(486)	21 710	–	–	–	73	14 566
Share scheme liability	708	–	–	–	–	(708)	–	–	–
Total liabilities from financing	2 272 730	(42 600)	(11 647)	21 710	–	(708)	4 091	12 200	2 255 776

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30. LIABILITIES ARISING FROM FINANCING ACTIVITIES CONTINUED

	COMPANY								
			Non-cash changes						
	1 July 2019 R'000	Cash flows* R'000	Foreign exchange movement R'000	Changes in fair values R'000	Re-finance R'000	Re-classifi-cation R'000	Struct-uring fees amortised R'000	Interest accrual R'000	Total R'000
30 June 2020									
Non-current interest-bearing borrowings	–	(215 752)	38 164	–	–	1 018 260	1 344	6 398	848 414
Current interest-bearing borrowings	1 470 551	–	–	–	–	(1 018 165)	–	–	452 386
Assets held to hedge long-term borrowings	14 966	(73)	–	123 619	–	(57 583)	–	–	80 929
Total liabilities from financing activities	**1 485 517**	**(215 825)**	**38 164**	**123 619**	**–**	**(57 488)**	**1 344**	**6 398**	**1 381 729**
30 June 2019									
Non-current interest-bearing borrowings	–	(35 997)	(1 804)	–	466 233	(436 214)	1 242	6 540	–
Current interest-bearing borrowings	1 507 169	(6 599)	–	–	(466 233)	436 214	–	–	1 470 551
Assets held to hedge long-term borrowings	177	(445)	–	15 067	–	–	–	167	14 966
Share scheme liability	708	–	–	–	–	(708)	–	–	–
Total liabilities from financing	1 508 054	(43 041)	(1 804)	15 067	–	(708)	1 242	6 707	1 485 517

* *Reconciliation of cash flows to cash flow statement:*

	GROUP		COMPANY	
	30 June 2020 R'000	*30 June 2019 R'000*	*30 June 2020 R'000*	*30 June 2019 R'000*
Proceeds from other financial liabilities	***57 845***	*426 361*	***–***	*249 220*
Repayments of other financial liabilities	***(457 215)***	*(468 961)*	***(209 118)***	*(292 261)*
Payment of prior year interest accrual#	***(12 200)***	*–*	***(6 707)***	*–*
	(411 570)	*(42 600)*	***(215 825)***	*(43 041)*

Included in finance costs paid on the cash flow.

31. DIVIDENDS PAID

	GROUP		COMPANY	
	30 June 2020 R'000	30 June 2019 R'000	**30 June 2020 R'000**	30 June 2019 R'000
Dividends	**(122 952)**	(270 921)	**(132 338)**	(291 602)

32. DIVIDENDS RECEIVED

	GROUP		COMPANY	
	30 June 2020 R'000	30 June 2019 R'000	30 June 2020 R'000	30 June 2019 R'000
Dividends receivable opening balance	–	–	–	–
Dividends from subsidiaries and group entities*	–	–	123 955	126 632
Dividends receivable closing balance	–	–	(58 870)	–
Dividends received	–	–	65 085	126 632

* *A portion of these dividends is a dividend in specie.*

33. COMMITMENTS

	GROUP		COMPANY	
	30 June 2020 R'000	30 June 2019 R'000	30 June 2020 R'000	30 June 2019 R'000
Operating leases – as lessor (income)				
Minimum lease payments receivable				
– Within one year	426 233	421 022	207 432	205 796
– Second year	385 174	355 670	182 308	157 529
– Third year	353 127	282 558	158 454	126 080
– Fourth year	325 184	250 935	136 005	100 548
– Fifth year	267 947	343 640	93 455	80 256
– Later than five years	886 304	601 261	113 335	137 594
	2 643 969	2 255 116	890 989	807 803
Contractual cash inflows				
– Straight line rental adjustment	70 419	81 358	41 463	49 188
Future book revenue	2 714 388	2 336 474	932 452	856 991
Operating lease income represents rentals received by the group for its properties. Leases are negotiated for an average term of 3,29 years (2019: 2,86 years) in SA and 9,23 years (2019: 9,9 years) in the UK. Rentals on the properties escalate at an average rate of 5,5% per annum (2019: 4,15%).				
Capital commitments (IAS 40)				
Capital improvements in respect of investment properties:				
Approved and committed	757	3 996	757	3 996
Approved and uncommitted	67 144	–	17 647	–
	67 901	3 996	18 404	3 996
Operating minimum lease payments (IAS 17)				
Operating lease payments represent rentals payable by the company for its office premises:				
Minimum lease payments due as lessee:				
– Within one year	–	–	–	583
– Two to five years	–	–	–	3 697
– Later than five years	–	–	–	843
	–	–	–	5 123
Operating expense commitments (IAS 40)				
Contractual commitments in respect of general maintenance to investment property:				
– Within one year	1 558	577	1 558	167
– Two to five years	–	–	–	–
– Later than five years	–	–	–	–
	1 558	577	1 558	167

Texton is on a month-to-month lease with Investage 183 Proprietary Limited for the lease of its head office space.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED
for the year ended 30 June 2020

34. RELATED PARTIES

Subsidiaries comprise:

Refer to note 40 for the list of subsidiaries of Texton.

Group entities comprise:

Vunani Property Investment Trust

Texton Property Fund Limited Share Incentive Scheme Trust

Investment in joint ventures comprise:

Inception (Reading) S.à.r.l (50%)

Related through common shareholding/directorship or affiliated with related parties:

Oak Tech Trading Proprietary Limited

Inter-company transactions

	Loans* R'000	Interest received R'000	Distributions R'000	Distribution receivables R'000	Rent paid R'000
30 June 2020					
Discus House Proprietary Limited	149 308	–	24 024	7 048	–
Imperial Comm Props Proprietary Limited	44 981	–	13 013	2 852	–
Investage 183 Proprietary Limited	127 661	–	30 774	16 895	320
Nungu Trading 88 Proprietary Limited	1 201	–	7 905	1 022	–
Sable Place Properties Proprietary Limited	(1 348)	–	–	–	–
Heddon Investment Holdings Limited	14 768	658	107	107	–
Zeya Investment Holdings Limited	19 800	1 193	1 382	1 382	–
Chobe Investment Holdings Limited	–	1 466	–	–	–
Chevelon Investment Holdings Limited	11 183	3 290	3 765	3 765	–
Onslow Investment Holdings Limited	50 966	2 279	3 718	3 718	–
Cheltondale Investment Holdings Limited	134 016	5 602	6 099	6 099	–
Forbesdale Investment Holdings Limited	30 581	3 150	4 256	4 256	–
Ganix Investment Holdings Limited	(679)	27	1 967	1 967	–
Malabar Investment Holdings Limited	7 761	557	5 739	5 739	–
Texton Propco Proprietary Limited	45	–	–	–	–
Texton Property UK Limited	1 334	–	–	–	–
	591 578	18 222	102 749	54 850	320
Group entities					
Vunani Property Investment Trust	–	–	17 187	–	440
Texton Property Fund Limited Share Incentive Scheme Trust	32 008	–	4 020	4 020	–
	32 008	–	21 207	4 020	440

* *Refer to note 20 for terms and conditions relating to outstanding balances.*

34. RELATED PARTIES CONTINUED

Inter-company transactions continued

	Loans* R'000	Interest received R'000	Distributions R'000	Asset management fees R'000
30 June 2019				
Discus House Proprietary Limited	155 842	–	22 371	–
Imperial Comm Props Proprietary Limited	40 976	–	8 131	–
Investage 183 Proprietary Limited	135 377	–	14 017	–
Nungu Trading 88 Proprietary Limited	1 201	–	5 608	–
Sable Place Properties 121 Proprietary Limited	(1 439)	–	–	–
Gladstone Investment Holdings Limited	–	2 233	–	(3 165)
Heddon Investment Holdings Limited	12 699	843	146	–
Zeya Investment Holdings Limited	18 460	1 529	1 084	–
Chobe Investment Holdings Limited	24 036	1 755	2 976	–
Chevelon Investment Holdings Limited	31 320	4 485	–	–
Onslow Investment Holdings Limited	43 440	2 804	5 662	–
Cheltondale Investment Holdings Limited	107 322	6 928	3 835	–
Forbesdale Investment Holdings Limited	40 226	3 902	6 666	–
Ganix Investment Holdings Limited	852	374	9 131	–
Malabar Investment Holdings Limited	11 847	1 233	14 154	–
Texton Propco Proprietary Limited	16	–	–	–
Texton Property UK Limited	428	–	–	–
	622 603	26 086	93 781	(3 165)
Group entities				
Vunani Property Investment Trust	229 776	32 750	–	–
Texton Property Fund Limited Share Incentive Scheme Trust	62 915	–	–	–
	292 691	32 750	–	–

* *Refer to note 20 for terms and conditions relating to outstanding balances.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2020

34. RELATED PARTIES CONTINUED

Remuneration paid to directors

	Directors' fee R'000	Salary R'000	Consulting fee R'000	Bonus R'000	Other** R'000	Total R'000
30 June 2020						
Executive directors						
PM Hack#	–	163	–	–	–	163
MH Muller~	–	2 650	–	–	1 524	4 174
IF Pick*	–	1 515	–	–	2 432	3 947
Non-executive directors						
MA Golding *(Chairman)*	490	–	–	–	–	490
R Franco	453	–	–	–	–	453
Independent non-executive directors						
AJ Hannington	430	–	–	–	–	430
JR Macey	543	–	–	–	–	543
W Van der Vent	120	–	–	–	–	120
S Thomas	291	–	–	–	–	291
Prescribed officer						
HSP Welleman@	–	1 147	–	–	–	1 147
	2 327	5 475	–	–	3 956	11 758

Appointed as chief financial officer from 12 June 2020.

~ *Resigned as chief executive officer on 30 June 2020.*

* *Resigned as chief financial officer on 4 December 2019.*

@ *Appointed as interim chief financial officer on 4 December 2019 until 12 June 2020. Appointed as interim chief executive officer on 30 June 2020.*

** *Payment of severance packages.*

	Directors' fee R'000	Salary R'000	Consulting fee R'000	Bonus R'000	Other R'000	Total R'000
30 June 2019						
Executive directors						
NV Balfour	–	975	–	200	–	1 175
MH Muller	123	883	1 638	–	500	3 144
IF Pick	–	2 080	–	122	–	2 202
Non-executive directors						
MA Golding *(Chairman)*	299	–	–	–	–	299
JA Legh	77	–	–	–	–	77
PD Naldoo	144	–	–	–	–	144
P Ntshalintshali	96	–	–	–	–	96
MJ van Heerden	96	–	–	–	–	96
Independent non-executive directors						
AJ Hannington	187	–	–	–	–	187
JR Macey	371	–	147	–	–	518
S Mia	49	–	–	–	–	49
S Thomas	191	–	–	–	–	191
TMZ Zuma	123	–	–	–	–	123
	1 756	3 938	1 785	322	500	8 301

34. RELATED PARTIES CONTINUED

Directors' holdings

	Direct R'000	Indirect R'000	Total R'000	% holding
30 June 2020				
M Golding*	–	51 589 091	51 589 091	13,72
AJ Hannington	–	–	–	–
JR Macey	–	31 925	31 925	–
RA Franco*	–	60 267 601	60 267 601	16,03
PM Hack	–	–	–	–
S Thomas	–	–	–	–
Prescribed officer				
HSP Welleman	–	–	–	–
	–	111 888 617	111 888 617	29,8
30 June 2019				
M Golding	–	64 257 654	64 257 654	17,1
AJ Hannington	–	–	–	–
JR Macey	4 000	26 925	30 925	–
MH Muller	–	750 000	750 000	0,2
IF Pick	23 000	3 260	26 260	–
S Thomas	–	–	–	–
	27 000	65 037 839	65 064 839	17,3

* *M Golding owns 55% and RA Franco owns 45% of Oak Tech.*

Oak Tech Trading Proprietary Limited

Oak Tech Trading Proprietary Limited has 84 537 800 ordinary shares pledged as security for 30 months relating to borrowings in the amount of R55,6 million as at 30 June 2020. The shareholders of Oak Tech Trading Proprietary Limited are Kloof Capital South Africa Proprietary Limited and Geomer Investments Proprietary Limited. Robert Franco and Marcel Golding, who are non-executive directors of Texton, are the ultimate shareholders of Kloof Capital South Africa Proprietary Limited and Geomer Investments Proprietary Limited respectively.

During the year an amount of R232 409 was paid to Oak Tech Trading for consulting fees.

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35. EARNINGS AND HEADLINE EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share was based on the loss attributable to shareholders of R130,501 million (2019: R537,938 million) and weighted average number of shares outstanding of 349 394 553 (2019: 349 394 553).

Headline earnings per share

The calculation of headline earnings per share was based on the loss (2019: earnings) attributable to shareholders of R81,586 million (2019: R194,317 million) and a weighted average number of shares outstanding of 349 394 553 (2019: 349 394 553).

Diluted basic earnings and diluted headline earnings per share

There were no dilutive instruments in issue at year-end.

Weighed average number of shares in issue

	GROUP	
	30 June 2020 R'000	30 June 2019 R'000
Shares in issue	376 067	376 067
Treasury shares	(26 672)	(26 672)
Shares in issue at end of the year	349 395	349 395

	GROUP	
	30 June 2020 R'000	30 June 2019 R'000
Earnings		
Loss attributable to shareholders	(130 501)	(537 938)
Headline earnings		
Loss attributable to shareholders	(130 501)	(537 938)
Gross revaluation of investment property	24 443	690 671
Gross revaluation of investment property held for sale	45 608	–
Gross revaluation of investment property recognised in equity accounted joint venture	(22 665)	11 166
Loss on sale of property held for sale	1 529	–
Impairment of investment in joint venture	–	30 418
Headline earnings attributable to shareholders	(81 586)	194 317
Weighted average number of shares in issue ('000)	349 395	349 395
Basic and diluted earnings per share (cents)	(37,35)	(153,96)
Headline earnings per share (cents)	(23,35)	55,62

36. OPERATING SEGMENTS

The group has two reportable segments based on the geographic split, which are the group's strategic business segments. These two geographic regions are then split between office, retail and industrial sectors within these regions. For each strategic business segment, the group's chief executive officer (the chief operating decision maker) reviews internal management reports on a monthly basis. Segments are located in SA and the UK. There are no single major customers except the SA national government.

The following summary describes the operations in each of the group's reportable segments:

	Office R'000	Retail R'000	Industrial R'000	Corporate R'000	Total R'000
30 June 2020					
South Africa					
Investment property income	331 585	62 765	41 235	–	435 584
Straight-line rental adjustment	(5 440)	(1 653)	1 293	–	(5 800)
Segment result	326 144	61 112	42 528	–	429 784
ECL on trade receivables	(20 890)	(5 140)	(1 469)	–	(27 499)
Property expenses	(135 452)	(26 437)	(17 785)	–	(179 674)
Net property income	169 802	29 535	23 274	–	222 611
Other income	2 426	–	1 992	26	4 444
Administrative expenses	(1 587)	(306)	(5)	(23 922)	(25 820)
Operating profit	170 641	29 229	25 261	(23 896)	201 235
Finance income	915	616	285	82 939	84 755
Finance costs	(114)	(1 212)	(6)	(143 625)	(144 957)
Fair value adjustments	(45 326)	(4 247)	(13 870)	(231 234)	(294 677)
Total segment result	126 116	24 386	11 670	(315 816)	(153 644)
Investment property	1 672 701	365 800	131 000	–	2 169 501
Property, plant and equipment	2 709	149	70	296	3 224
Tenant installation	4 089	–	2 000	–	6 089
Other non-current assets	3 545	632	2 101	–	6 278
Trade and other receivables	11 362	5 340	5 265	5 230	27 197
Cash and cash equivalents	40 073	8 244	5 597	30 059	83 973
Non-current assets classified as held for sale	241 692	–	84 800	–	326 492
Income tax receivable	19	–	–	3 243	3 262
	1 976 190	380 165	230 833	38 828	2 626 016
Other financial liabilities	–	–	–	1 381 727	1 381 727
Lease liability	–	3 252	–	–	3 252
Deferred tax	572	1 489	2 140	3 102	7 303
Trade and other payables	43 794	(6 592)	6 741	12 629	56 572
Income tax payable	–	–	–	23 905	23 905
	44 366	(1 851)	8 881	1 421 363	1 472 759

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2020

36. OPERATING SEGMENTS CONTINUED

	Office R'000	Retail R'000	Industrial R'000	Corporate R'000	Total R'000
30 June 2020					
United Kingdom					
Investment property income	14 827	29 308	42 186	–	86 321
Straight-line rental adjustment	(856)	57	3 879	–	3 080
Segment result	13 971	29 365	46 065	–	89 401
ECL on trade receivables	–	(65)	(31)	–	(96)
Property expenses	(859)	(1 506)	(1 741)	–	(4 106)
Net property income	13 112	27 794	44 293	–	85 199
Other income	26	133	112	–	271
Administrative expenses	(4 656)	(2 450)	(1 154)	(3 942)	(12 202)
Profit from joint venture	–	34 711	–	–	34 711
Foreign exchange losses	–	–	–	(90 732)	(90 732)
Operating profit	8 482	60 188	43 251	(94 674)	17 247
Finance income	7	292	717	9	1 025
Finance costs	(5 896)	(5 344)	(12 694)	–	(23 934)
Fair value adjustments	1 722	114 582	(18 476)	–	97 828
Total segment result	4 315	169 718	12 798	(94 665)	92 166
Investment property	–	256 940	722 616	–	979 556
Property, plant and equipment	–	–	–	12	12
Investment in joint venture	–	252 272	–	–	252 272
Trade and other receivables	209	5 744	11 048	24	17 025
Cash and cash equivalents	9 490	6 478	38 395	3 855	58 218
Non-current assets classified as held for sale	188 724	86 077	–	–	274 801
Income tax receivable	189	–	–	–	189
	198 612	607 511	772 059	3 891	1 582 073
Other financial liabilities	113 263	148 791	439 041	–	701 095
Deferred tax	2 020	737	2 694	–	5 451
Trade and other payables	15 978	14 393	19 971	1 009	51 351
Income tax payable	373	595	3 725	–	4 693
	131 634	164 516	465 431	1 009	762 590

36. OPERATING SEGMENTS CONTINUED

	Office R'000	Retail R'000	Industrial R'000	Corporate R'000	Total R'000
30 June 2020					
Total					
Investment property income	346 411	92 073	83 421	–	521 905
Straight-line rental adjustment	(6 296)	(1 596)	5 172	–	(2 720)
Segment result	340 115	90 477	88 593	–	519 185
ECL on trade receivables	(20 890)	(5 205)	(1 500)	–	(27 595)
Property expenses	(136 311)	(27 943)	(19 526)	–	(183 780)
Net property income	182 914	57 329	67 567	–	307 810
Other income	2 452	133	2 104	26	4 715
Administrative expenses	(6 243)	(2 756)	(1 159)	(27 864)	(38 022)
Profit from joint venture	–	34 711	–	–	34 711
Foreign exchange gains/(losses)	–	–	–	(90 732)	(90 732)
Operating profit	179 123	89 417	68 512	(118 570)	218 482
Finance income	922	908	1 002	82 948	85 780
Finance costs	(6 010)	(6 556)	(12 700)	(143 625)	(168 891)
Fair value adjustments	(43 604)	110 335	(32 346)	(231 234)	(196 849)
Total segment result	130 431	194 104	24 468	(410 481)	(61 478)
Investment property	1 672 701	622 740	853 616	–	3 149 057
Property, plant and equipment	2 709	149	70	308	3 236
Tenant installation	4 089	–	2 000	–	6 089
Investment in joint venture	–	252 272	–	–	252 272
Other non-current assets	3 545	632	2 101	–	6 278
Trade and other receivables	11 571	11 084	16 313	5 254	44 222
Cash and cash equivalents	49 563	14 722	43 992	33 914	142 191
Non-current assets classified as held for sale	430 416	86 077	84 800	–	601 293
Income tax receivable	208	–	–	3 243	3 451
	2 174 802	987 676	1 002 892	42 720	4 208 089
Other financial liabilities	113 263	148 791	437 041	1 381 727	2 082 822
Lease liability	–	3 252	–	–	3 252
Deferred tax	2 592	2 226	4 834	3 102	12 754
Trade and other payables	59 772	7 601	26 712	13 638	107 923
Income tax payable	373	595	3 725	23 905	28 598
	176 000	162 665	474 312	1 422 372	2 235 349

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36. OPERATING SEGMENTS CONTINUED

	Office R'000	Retail R'000	Industrial R'000	Corporate R'000	Total R'000
30 June 2019					
South Africa					
Investment property income	333 566	71 127	42 905	–	447 598
Straight-line rental adjustment	637	(3 591)	(3 035)	–	(5 989)
Segment result	334 203	67 536	39 870	–	441 609
Property expenses	(133 903)	(32 857)	(20 288)	–	(187 048)
Net property income	200 300	34 679	19 582	–	254 561
Other income	8 296	436	1 691	–	10 423
Administrative expenses	(223)	(967)	(634)	(3 537)	(5 361)
Foreign exchange losses	–	–	–	(9 156)	(9 156)
Operating profit	208 373	34 148	20 639	(12 693)	250 467
Finance income	678	383	315	87 814	89 190
Finance costs	(702)	(800)	(974)	(125 180)	(127 656)
Fair value adjustments	(442 202)	(121 382)	(54 434)	50 645	(567 373)
Loss on disposal of subsidiary	–	–	–	(9 041)	(9 041)
Capital items	–	–	–	(14 350)	(14 350)
Total segment result	(233 853)	(87 651)	(34 454)	(22 805)	(378 763)
Investment property	1 718 267	371 700	143 500	–	2 233 467
Property, plant and equipment	1 449	50	70	329	1 898
Tenant installation	10 417	–	1 031	–	11 448
Other non-current assets	6 606	675	2 508	–	9 789
Other financial assets	–	–	–	57 488	57 488
Trade and other receivables	28 046	5 712	4 833	3 687	42 278
Cash and cash equivalents	15 769	4 839	3 522	267 270	291 400
Investment property classified as held for sale	243 500	–	83 300	–	326 800
Income tax receivable	1 977	–	(832)	83	1 228
	2 026 031	382 976	237 932	328 857	2 975 796
Other financial liabilities	–	–	–	1 485 518	1 485 518
Lease liability	–	3 326	–	–	3 326
Deferred tax	5 309	1 489	505	–	7 303
Trade and other payables	44 475	10 070	6 313	(3 011)	57 847
Income tax payable	1 296	1 843	3 052	1 442	7 633
	51 080	16 728	9 870	1 483 949	1 561 627

36. OPERATING SEGMENTS CONTINUED

	Office R'000	Retail R'000	Industrial R'000	Corporate R'000	Total R'000
30 June 2019					
United Kingdom					
Investment property income	44 943	26 793	38 691	–	110 427
Straight-line rental adjustment	(50)	–	3 679	–	3 629
Segment result	44 893	26 793	42 370	–	114 056
Property expenses	(2 123)	(1 377)	(1 381)	–	(4 881)
Net property income	42 770	25 416	40 989	–	109 175
Other income	217	222	138	–	577
Administrative expenses	(2 195)	(2 819)	(2 351)	(21 497)	(28 862)
Loss from joint venture	–	(1 158)	–	–	(1 158)
Foreign exchange gains	–	–	–	8 651	8 651
Operating profit	40 792	21 661	38 776	(12 846)	88 383
Finance income	95	352	873	25	1 345
Finance costs	(17 639)	(18 001)	(20 902)	–	(56 542)
Fair value adjustments	(67 310)	(57 622)	6 877	(14 096)	(132 151)
Impairment of interest in joint venture	–	(30 418)	–	–	(30 418)
Total segment result	(44 062)	(84 028)	25 624	(26 917)	(129 383)
Investment property	170 030	279 166	609 253	–	1 058 449
Property, plant and equipment	–	–	–	13	13
Investment in joint venture	–	206 094	–	–	206 094
Restricted cash	12 782	–	–	–	12 782
Trade and other receivables	259	353	753	277	1 642
Cash and cash equivalents	13 317	5 635	11 713	1 920	32 585
Investment property classified as held for sale	202 723	–	–	–	202 723
	399 111	491 248	621 719	2 210	1 514 288
Other financial liabilities	233 726	199 070	337 462	–	770 258
Trade and other payables	10 579	9 298	12 145	449	32 471
Income tax payable	542	244	990	–	1 776
	244 847	208 612	350 597	449	804 505

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for the year ended 30 June 2020

36. OPERATING SEGMENTS CONTINUED

	Office R'000	Retail R'000	Industrial R'000	Corporate R'000	Total R'000
30 June 2019					
Total					
Investment property income	378 509	97 920	81 596	–	558 025
Straight-line rental adjustment	587	(3 591)	644	–	(2 360)
Segment result	379 096	94 329	82 240	–	555 665
Property expenses	(136 026)	(34 234)	(21 669)	–	(191 929)
Net property income	243 070	60 095	60 571	–	363 736
Other income	8 513	658	1 829	–	11 000
Administrative expenses	(2 418)	(3 786)	(2 985)	(25 034)	(34 223)
Profit/(loss) from joint venture	–	(1 158)	–	–	(1 158)
Foreign exchange losses	–	–	–	(505)	(505)
Operating profit	249 165	55 809	59 415	(25 539)	338 850
Finance income	773	735	1 188	87 839	90 535
Finance costs	(18 341)	(18 801)	(21 876)	(125 180)	(184 198)
Fair value adjustments	(509 512)	(179 004)	(47 557)	36 549	(699 524)
Impairment of interest in joint venture	–	(30 418)	–	–	(30 418)
Loss on disposal of subsidiary	–	–	–	(9 041)	(9 041)
Capital expenses	–	–	–	(14 350)	(14 350)
Total segment result	(277 915)	(171 679)	(8 830)	(49 722)	(508 146)
Investment property	1 888 297	650 866	752 753	–	3 291 916
Property, plant and equipment	1 449	50	70	342	1 911
Tenant installation	10 417	–	1 031	–	11 448
Investment in joint venture	–	206 094	–	–	206 094
Other non-current assets	6 606	675	2 508	–	9 789
Other financial assets	–	–	–	57 488	57 488
Restricted cash	12 782	–	–	–	12 782
Trade and other receivables	28 305	6 065	5 586	3 964	43 920
Cash and cash equivalents	29 086	10 474	15 235	269 190	323 985
Investment property classified as held for sale	446 223	–	83 300	–	529 523
Income tax receivable	1 977	–	(832)	83	1 228
	2 425 142	874 224	859 651	331 067	4 490 084
Other financial liabilities	233 726	199 070	337 462	1 485 518	2 255 776
Lease liability	–	3 326	–	–	3 326
Deferred tax	5 309	1 489	505	–	7 303
Trade and other payables	55 054	19 368	18 458	(2 562)	90 318
Income tax payable	1 838	2 087	4 042	1 442	9 409
	295 927	225 340	360 467	1 484 398	2 366 132

37. RISK MANAGEMENT

The group's financial instruments consist mainly of deposits with banks, interest-bearing liabilities, derivative instruments, amounts due from subsidiaries, group entities and third parties, trade and other receivables and trade and other payables.

The group has exposure to the following risks from its use of financial instruments:

- Liquidity risk
- Credit risk
- Market risk.

While risk management is the ultimate responsibility of the board of directors, the board has delegated this responsibility to the audit and risk committee which is responsible for developing and monitoring the group's risk management policies.

The group's risk management policies are established to ensure:

- Improved risk management and control
- The efficient allocating of funds to maximise returns
- The maintenance of acceptable levels of risk within the group as a whole
- Efficient liquidity management and control of funding.

The audit and risk committee reviews management's compliance with the group's risk policies and procedures and assesses the adequacy of the risk management framework. The committee reports regularly to the board of directors.

37.1 Classification of financial instruments

The table below sets out the group's accounting classification of each class of financial asset and liability.

	GROUP			
	At amortised cost		Fair value through profit or loss	
	30 June 2020 R'000	30 June 2019 R'000	30 June 2020 R'000	30 June 2019 R'000
Financial assets				
Other non-current assets	–	664	–	–
Other financial assets	–	–	–	57 488
Restricted cash	–	12 782	–	–
Trade and other receivables	66 014	36 030	–	–
Cash and cash equivalents	142 191	323 985	–	–
	208 205	373 461	–	57 488
Financial liabilities				
Other financial liabilities	2 029 521	2 241 211	85 467	14 565
Trade and other payables	76 640	59 086	–	–
	2 106 161	2 300 297	85 467	14 565

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2020

37. RISK MANAGEMENT CONTINUED

37.1 Classification of financial instruments continued

	COMPANY			
	At amortised cost		Fair value through profit or loss	
	30 June 2020 R'000	30 June 2019 R'000	30 June 2020 R'000	30 June 2019 R'000
Financial assets				
Other non-current assets	–	664	–	–
Other financial assets	–	–	–	57 488
Loans to subsidiaries	593 605	624 042	–	–
Loans to group entities	32 008	393 613	–	–
Trade and other receivables	30 913	18 326	–	–
Cash and cash equivalents	46 936	276 298	–	–
	703 462	1 312 943	–	57 488
Financial liabilities				
Other financial liabilities	1 332 964	1 470 551	80 929	14 966
Loan from subsidiary	2 027	1 439	–	–
Loan from group entity	–	100 922	–	–
Trade and other payables	37 937	29 492	–	–
	1 372 928	1 602 404	80 929	14 966

Financial instruments that are carried at amortised cost, due to the fact that interest is market related, the amortised cost approximates the fair value.

37.2 Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due.

The group ensures that it always has adequate funds available and seeks to borrow for as long as possible at the lowest cost. Liquidity requirements are managed by monitoring forecasted cash flows and the maturity profile of financial liabilities.

A maturity analysis of financial liabilities is set out in the table below.

	GROUP			
	Carrying amount R'000	Contractual cash flows R'000	Less than 1 year R'000	2 to 5 years R'000
30 June 2020				
Non-interest bearing	76 633	76 633	76 633	–
Fixed interest rate instruments	85 467	71 705	(6 881)	78 586
Variable interest rate instruments	2 000 340	2 262 461	554 542	1 707 919
Non-derivative financial liabilities	2 162 440	2 410 799	624 294	1 786 505
30 June 2019				
Non-interest bearing	59 086	59 086	59 086	–
Fixed interest rate instruments	249 924	259 210	259 210	–
Variable interest rate instruments	2 020 417	2 273 652	513 701	1 759 951
Non-derivative financial liabilities	2 329 427	2 591 948	831 997	1 759 951

37. RISK MANAGEMENT CONTINUED

37.2 Liquidity risk continued

	COMPANY			
	Carrying amount R'000	Contractual cash flows R'000	Less than 1 year R'000	2 to 5 years R'000
30 June 2020				
Non-interest bearing	**37 943**	**37 943**	**37 943**	**–**
Fixed interest rate instruments	**80 929**	**65 226**	**(7 852)**	**73 077**
Variable interest rate instruments	**1 303 678**	**1 468 933**	**168 770**	**1 300 163**
Non-derivative financial liabilities	**1 422 550**	**1 572 102**	**198 861**	**1 373 240**
30 June 2019				
Non-interest bearing	29 492	29 492	29 492	–
Variable interest rate instruments	1 485 517	1 689 233	498 515	1 190 718
Non-derivative financial liabilities	1 515 009	1 718 725	528 007	1 190 718

Impact of COVID-19

Refer to note 38 for the impact of COVID-19.

37.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rate, interest rates and equity prices will affect the group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising return. The group enters into derivatives and incurs financial liabilities in order to manage market risks. All such transactions are carried out within the guidelines set by the audit and risk committee.

Interest rate risk

The group is exposed to interest rate risk as it borrows funds at variable interest rates.

	GROUP		COMPANY	
	30 June 2020 R'000	30 June 2019 R'000	30 June 2020 R'000	30 June 2019 R'000
Fixed-rate instruments				
Financial assets	**–**	–	**270 286**	386 993
Financial liabilities	**(85 467)**	(249 924)	**(80 929)**	–
	(85 467)	(249 924)	**189 357**	386 993
Variable rate instruments				
Financial assets	**186 414**	367 905	**441 932**	981 396
Financial liabilities	**(1 997 357)**	(2 005 852)	**(1 300 800)**	(1 470 551)
	1 810 944	(1 637 947)	**(858 868)**	(489 155)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2020

37. RISK MANAGEMENT CONTINUED

37.3 Market risk continued

Cash flow sensitivity analysis for variable rate instruments

A change of 50 basis points in the interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amount shown below. This analysis assumes that all other variables remain constant.

	GROUP		COMPANY	
	30 June 2020 R'000	30 June 2019 R'000	30 June 2020 R'000	30 June 2019 R'000
Effect on equity and profit or loss				
50 bps increase	(9 055)	(8 190)	(4 294)	(2 446)
50 bps decrease	9 055	8 190	4 294	2 446

The group adopts a policy of ensuring that a minimum of 80% of its exposure to changes in interest rates on borrowings is on a fixed basis. This is achieved by entering into fixed-rate swap instruments. All such transactions are carried out within the guidelines of the audit and risk committee. As a consequence, the group is exposed to fair value interest rate risk in respect of the fair value of its interest rate financial instruments, which will not have an impact on distributions. Short-term receivables and payables and investments are not directly exposed to interest rate risk.

Currency risk

Currency risk related to investments in foreign operations

The group has interests in entities which operate in the UK. A portion of the group's revenue is earned in the UK. The group's policy is to hedge its equity portion of investments in foreign subsidiaries.

Currency risk related to foreign transactions

The group operates predominantly within its own common monetary area and, therefore, the group has no significant currency risk with regard to operational activities. During 2019 and 2018 it was not the group's policy to hedge transactions which are denominated in a currency other than the entity's functional currency, which only occurs with loans for acquisitions in foreign countries.

Currency risk related to foreign currency-denominated loans of the company

The company has loans denominated in foreign currency hence the exposure to exchange rate fluctuations arises. The currency giving rise to currency risk in which the company primarily deals is GBP.

As at the reporting date, the company's exposure to foreign currency risk was as follows, based on a notional amount.

	GROUP		COMPANY	
	30 June 2020 GBP'000	30 June 2019 GBP'000	30 June 2020 GBP'000	30 June 2019 GBP'000
Foreign loans payable	(7 500)	(10 000)	(7 500)	(10 000)
Foreign loans receivable	–	–	12 560	18 466

The following significant exchange rates applied during the year:

	2020		2019	
	Closing rate R	Average rate R	Closing rate R	Average rate R
GBP	21,52	19,76	17,87	18,46

37. RISK MANAGEMENT CONTINUED

37.3 Market risk continued

Sensitivity analysis

A 10% strengthening of the Rand against the GBP as at 30 June would have increased/(decreased) profits and equity by the amount shown below. This calculation assumes that all other variables, in particular interest rates, remain constant.

	GROUP		COMPANY	
	30 June 2020 R'000	30 June 2019 R'000	30 June 2020 R'000	30 June 2019 R'000
Foreign loans payable	16 140	17 867	16 140	17 867
Foreign loans receivable	–	–	(27 029)	(33 405)

A 10% weakening of the Rand against the GBP as at 30 June would have the equal but opposite effect on the currency to the amount shown above on the basis that all other variables remain constant.

Impact of COVID-19

As the group enters into derivatives it was able to manage change in the market risk as a result of COVID-19.

37.4 Credit risk

Credit risk is the risk of financial loss to the group if a tenant or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the group's receivables from tenants, loans to subsidiaries, joint ventures and group entities, restricted cash and cash and cash equivalents.

The carrying amount of financial assets below represents the maximum credit exposure. The maximum exposure to credit risk was:

	GROUP		COMPANY	
	30 June 2020 R'000	30 June 2019 R'000	30 June 2020 R'000	30 June 2019 R'000
Other financial assets	–	57 488	–	57 488
Trade and other receivables	59 907	36 030	57 642	18 326
Cash and cash equivalents	142 191	323 985	46 936	276 298
Restricted cash	–	12 782	–	–
Other non-current assets	–	664	–	664
Loans to subsidiaries	–	–	593 605	624 042
Loans to group entity	–	–	32 008	393 613
	202 098	430 949	730 191	1 370 431

Impact of COVID-19

Refer to note 11 for the impact of COVID-19 on trade receivables.

COVID-19 had no impact on cash and cash equivalents as the cash is held with financial institutions with high credit ratings.

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for the year ended 30 June 2020

37. RISK MANAGEMENT CONTINUED

37.5 Fair values

The carrying value of the assets and liabilities carried at amortised cost approximate fair value.

The fair value of trade receivables approximates its carrying amount as it is short-term in nature. The fair values of all financial instruments, interest rate swaps and variable rate 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 as 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 swaps and cross currency interest rate swaps that use only observable market data and require little 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 and cross currency 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 the determination of fair values.

Investments at fair value in Level 3 represent investment properties and investment properties held for sale. A detailed reconciliation, as well as a sensitivity analysis of all major assumptions, have been included as part of the investment property note (note 4). 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.

37. RISK MANAGEMENT CONTINUED

37.5 Fair values continued

The tables below analyse financial instruments carried at fair value by valuation method.

	GROUP			
Valuation method	**Level 1 R'000**	**Level 2 R'000**	**Level 3 R'000**	**Total R'000**
30 June 2020				
Interest rate swap	**–**	**(53 301)**	**–**	**(53 301)**
Currency swap	**–**	**(32 164)**	**–**	**(32 164)**
Investment properties	**–**	**–**	**3 149 057**	**3 149 057**
Investment property held for sale	**–**	**–**	**601 293**	**601 293**
30 June 2019				
Interest rate swap	–	(14 565)	–	(14 565)
Currency swap	–	57 488	–	57 488
Investment properties	–	–	3 291 916	3 291 916
Investment property held for sale	–	–	529 523	529 523

	COMPANY			
	Level 1 R'000	**Level 2 R'000**	**Level 3 R'000**	**Total R'000**
30 June 2020				
Interest rate swap	**–**	**(48 764)**	**–**	**(48 764)**
Currency swap	**–**	**(32 164)**	**–**	**(32 164)**
Investment properties	**–**	**–**	**1 511 401**	**1 511 401**
Investment property held for sale	**–**	**–**	**173 900**	**173 900**
30 June 2019				
Interest rate swap	–	(14 966)	–	(14 966)
Currency swap	–	57 488	–	57 488
Investment properties	–	–	1 573 400	1 573 400
Investment property held for sale	–	–	140 000	140 000

Impact of COVID-19

Refer to note 5 for the impact of COVID-19 on investment property.

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for the year ended 30 June 2020

38. GOING CONCERN

The group and company has reasonably satisfied the liquidity and solvency test as required by the Companies Act and the directors have satisfied themselves that the company and group are in a sound financial position and that it has access to sufficient facilities to meet its foreseeable cash requirements.

The directors consider that the company and group have adequate resources to continue operating for the foreseeable future and realise its assets and settle its liabilities in the ordinary course of business. As such, it is appropriate to adopt the going concern basis in preparing the consolidated and separate financial statements.

Impact of COVID-19

An outbreak of COVID-19 emerged during 2019 and was declared a global pandemic by the WHO in 2020.

Immediately, Texton took decisive action to preserve cash by actively managing our working capital through the crisis. Texton is mindful that many of our tenants and suppliers are SMMEs and the lifeblood of the South African economy. Texton actively engaged with both our tenants and suppliers, adopting a solutions-oriented mindset in an effort to generate win-win outcomes for all parties.

At the same time, Texton managed expenses by negotiating terms with our suppliers that were mutually beneficial to the sustainability of our business and theirs; and accelerated pre-existing expense-cutting measures and suspended all discretionary spend

Rental collection

In the month post year-end Texton collected over 93% and 97% of rental due in SA and the UK respectively. The collection of rentals and recovery of debt remains a key focus area. Texton has committed additional resources to this given the elevated risk levels in this area and the expected strain consumers may experience in the coming months.

Banking facilities

Texton was able to refinance all debt that expired in the current financial year on favourable terms and tenures. Texton refinanced R932 million of Standard Bank debt in the current year. The new debt was split into four different tranches:

	Rate	Term
Standard Bank tranche A	JIBAR + 1,95%	12 months
Standard Bank tranche B (RCF)	Prime -60bps	18 months
Standard Bank tranche C	JIBAR + 235bps	30 months
Standard Bank tranche D	JIBAR + 245bps	36 months

In the UK, Texton refinanced £1,7 million of debt expiring with Santander with a new five-year facility with HSBC. At the same time, Texton refinanced all its debt with HSBC totalling £32 million on a five-year facility with HSBC at a margin of 2,25% above LIBOR. The margin decreases to 2,10% when the LTV on the portfolio reduces to 55%, which is expected to be completed by December 2020.

Texton is negotiating with its funders regarding the refinancing of its Investec facilities, as per discussions with the bank it is more likely than not, that the facilities will be refinanced next year.

Sale of non-core properties

We identified 14 properties valued at R529,5 million at 30 June 2019 for disposal. Two of these properties (valued at R209,0 million) were sold and transferred by 30 June 2020. The COVID-19 pandemic resulted in delays in the transfer process due to the closing of municipalities and deeds offices during the last quarter of the financial year. As at 30 June 2020, we identified 16 properties valued at R601,2 million for disposal. Eight of these properties (valued at R154,6 million) have been contracted for and we expect sales to be completed by 31 December 2020.

Conclusion

Notwithstanding the challenges and risks that the COVID-19 pandemic may present, both the group and company are well capitalised with sufficient access to cash resources and borrowing facilities.

The impact of cash flow, solvency and liquidity on going concern has been reviewed in detail on a daily basis post year-end. Cash flow analysis has been performed to stress test the cash flows for 12 months post year-end. This includes a range of scenarios of tenant collections and creditor requirements, and management is positive that the company has sufficient cash resources available for the foreseeable future to meet all obligations as they become due.

The directors consider that the company and group have adequate resources to continue operating for the foreseeable future and realise its assets and settle its liabilities in the ordinary course of business. As such, it is appropriate to adopt the going concern basis in preparing the consolidated and separate financial statements.

39. EVENTS AFTER THE REPORTING DATE

Transfer of Investment property

Standard Bank Ladysmith and a portion of Wale Street Chambers that was held for sale at 30 June 2020, subsequently transferred to the purchasers on 13 August 2020 and 18 September 2020 respectively

Lease cancellation

Texton was notified by the business rescue practitioners of Edcon Limited on 18 September 2020, that Edcon will be cancelling the lease at 12 Laub Street, Edcon Park, effective 1 November 2020.

The board is not aware of any other events that have a material impact on the results or disclosures of the group and which have occurred subsequent to the end of the reporting period.

40. INVESTMENTS IN SUBSIDIARIES AND GROUP ENTITIES

The following table lists the entities which are controlled by the company, either directly or indirectly through subsidiaries.

		Percentage holding		Carrying amount	
Incorporation	Place of incorporation	30 June 2020 %	30 June 2019 %	30 June 2020 %	30 June 2019 %
Subsidiaries					
Discus House Proprietary Limited	South Africa	100	100	**29 635**	71 534
Imperial Comm Props Proprietary Limited	South Africa	100	100	**65 868**	67 899
Investage 183 Proprietary Limited	South Africa	53,89	100	**38 191**	59 684
Nungu Trading 88 Proprietary Limited	South Africa	100	100	**48 174**	48 174
Sable Place Properties 121 Proprietary Limited	South Africa	100	100	**585**	585
Texton Propco Proprietary Limited	South Africa	100	100	**–**	–
Texton Property UK Limited	United Kingdom	100	100	**–**	–
Chevelon Investment Holdings Limited	United Kingdom	100	100	**–**	–
Chobe Investment Holdings Limited	United Kingdom	100	100	**26 950**	135 839
Heddon Investment Holdings Limited	United Kingdom	100	100	**1 872**	1 872
Zeya Investment Holdings Limited	United Kingdom	100	100	**–**	11 558
Forbesdale Investment Holdings Limited	United Kingdom	100	100	**–**	12 967
Onslow Investment Holdings Limited	United Kingdom	100	100	**17 074**	17 074
Cheltondale Investment Holdings Limited	United Kingdom	100	100	**39 294**	39 294
Ganix Investment Holdings Limited	United Kingdom	100	100	**39 023**	39 023
Malabar Investment Holdings Limited	United Kingdom	100	100	**11 567**	39 487
Controlled entities					
Texton Property Fund Limited Share Incentive Trust*	South Africa				
Vunani Property Investment Trust	South Africa				
				318 233	544 989

* *Less than R1 000.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2020

40. INVESTMENTS IN SUBSIDIARIES AND GROUP ENTITIES CONTINUED

Incorporation	Carrying amount 30 June 2020 %	Carrying amount 30 June 2019 %
Increase/(decrease) in investment in subsidiaries	211 885	–
– Heddon Investment Holdings Limited[@]	4 398	–
– Zeya Investment Holdings Limited[@]	17 785	–
– Chevelon Investment Holdings[@]	44 579	–
– Investage 183 Proprietary Limited[#]	194 473	–
– Chobe Investment Holdings Limited[@]	(49 350)	
Increase in Capital contribution to controlled entities	35 452	–
– Vunani Property Investment Trust[#]	35 452	–
Less: Impairment on investments	(62 909)	(226 757)
– Imperial Comm Props Proprietary Limited	(9 692)	(2 031)
– Discus House Proprietary Limited	(29 635)	(41 899)
– Investage 183 Proprietary Limited	–	(21 493)
– Chevelon Investment Holdings Limited	(570)	–
– Malabar Investment Holdings Limited	(11 566)	(27 919)
– Sable Place Proprietary Limited	–	–
– Heddon Investment Holdings Limited	–	–
– Zeya Investment Holdings Limited	(11 446)	(11 558)
– Chobe Investment Holdings Limited	–	(108 889)
– Forbesdale Investment Holdings Limited	–	(12 967)
Chobe restructure gain[@]	22 397	–
Carrying value	525 058	318 233

[@] *Refer to note 47.1 for restructure undertaken during the year.*

[#] *Refer to note 47.2 for restructure on undertaken day and year.*

	Cost R'000	Accum-mulated impairments R'000	Carrying amount R'000
30 June 2020			
Investments in subsidiaries and group entities	940 795	(415 737)	525 058
30 June 2019			
Investments in subsidiaries and group entities	671 061	(352 828)	318 233

40. INVESTMENTS IN SUBSIDIARIES AND GROUP ENTITIES CONTINUED

	GROUP	
	30 June 2020 R'000	30 June 2019 R'000
Reconciliation of movement in investments during the year		
Balance at the beginning of the year	318 233	616 143
Increase in investment	211 885	–
Increase in capital contribution	35 452	–
Current year impairments	(62 909)	(226 757)
Disposal of investment	–	(71 153)
Restructure gain	22 397	–
	525 058	318 233

The investments are tested annually for impairment. The impairment is calculated by comparing the net asset value of each entity (the recoverable amount) to the carrying amount of the investment. The impairments are a result of a decrease in underlying property values in the subsidiaries. The impairment has been accounted for in profit or loss.

The company has no sponsored entities and has no interest in unconsolidated entities.

41. INVESTMENT IN JOINT VENTURE: INCEPTION (READING) S.A.R.L – BROAD STREET MALL

	GROUP AND COMPANY	
	Carrying amount 30 June 2020 R'000	Carrying amount 30 June 2019 R'000
Accumulated cost*	266 188	119
Share of post-acquisition profits/(losses)	24 670	(10 039)
Loan to joint venture reclassified as equity	–	254 600
Impairment of interest in joint venture	(38 586)	(38 586)
	252 272	206 094

The group has a 50% (2019: 50%) interest in Broad Street Mall and Texton exercises joint control. This interest is accounted for using the equity method. The company's principal place of business is in the UK and is a company incorporated in Luxembourg.

* *Reconciliation of movement:*

	R'000
Opening cost	*254 719*
Additional investment in joint venture	*11 469*
	266 188

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for the year ended 30 June 2020

41. INVESTMENT IN JOINT VENTURE: INCEPTION (READING) S.A.R.L – BROAD STREET MALL CONTINUED

Summarised statement of financial position as at 30 June

	GROUP		COMPANY	
	30 June 2020 R'000	30 June 2019 R'000	30 June 2020 R'000	30 June 2019 R'000
Non-current assets	1 527 229	1 159 753	1 527 229	1 159 753
Current assets	68 566	79 767	68 566	79 767
Trade and other receivables	50 831	26 110	50 831	26 110
Prepayments	3 399	7 607	3 399	7 607
Cash and cash equivalents	14 336	46 050	14 336	46 050
Non-current liabilities	(942 694)	(785 274)	(942 694)	(785 274)
Other financial liabilities	(929 488)	(777 378)	(929 488)	(777 378)
Deferred tax	(13 206)	(7 896)	(13 206)	(7 896)
Current liabilities	(43 477)	(42 059)	(43 477)	(42 059)
Net assets excluding shareholder loans (100%)	609 624	412 187	609 624	412 187
Proportionate share of net assets excluding shareholder loans (50%)	304 825	206 094	304 825	206 094
Carrying amount of investment	252 272	206 094	252 272	206 094

This information was extracted from Broad Street Mall's summarised unaudited financial statements for the 12 months ended 30 June 2020.

Summarised statement of comprehensive income for the year ended 30 June

	GROUP		COMPANY	
	30 June 2020 R'000	30 June 2019 R'000	30 June 2020 R'000	30 June 2019 R'000
Revenue	85 198	83 207	85 198	83 207
Depreciation	(735)	(649)	(735)	(649)
Finance costs before amortisation	–	(2 390)	–	(2 390)
Profit before net finance costs	99 505	28 960	99 505	28 960
Finance costs*	(31 432)	(28 173)	(31 432)	(28 173)
Profit before income tax expense	68 073	787	68 073	787
Income tax expense	(1 937)	(3 102)	(1 937)	(3 102)
Loss for the period	66 136	(2 315)	66 136	(2 315)
Other comprehensive income	3 285	–	3 285	–
Total comprehensive income	69 421	(2 315)	69 421	(2 315)
Equity accounted loss (50%)	34 711	(1 158)	34 711	(1 158)

* *Excludes interest on shareholder loans.*

On 2 March 2015, the company entered into agreements, including a joint venture agreement with Moorgarth Holdings (Luxembourg) S.à.r.l, a subsidiary of JSE-listed Tradehold Limited, whereby Texton acquired 50% of an SPV, Inception (Reading) S.à.r.l. Inception was then used as the vehicle to acquire a well-located retail shopping centre (Broad Street Mall) in Reading, England, with Texton's 50% contribution for the total purchase price. The acquisition of Broad Street Mall was successfully concluded on 3 July 2015.

42. SHARE INCENTIVE SCHEME

Texton had historically created a scheme to attract quality employees, retain top performers and align the interests of those running the group with that of its shareholders. The scheme was formed in 2015 on the basis of a discretionary trust ("the Trust") that acquired shares on a 100% geared basis with financial assistance granted by the group. Shares that are awarded to employees vest over a period of 75% over four years and 25% over five years. Dividends received by the Trust service interest costs on the loan. Any surplus dividends accrue to the group and are payable to shareholders. The shares are awarded to the employees at cost price.

In total, 10 428 348 shares were issued to the Trust at an average cost of R11,31 per share. These shares will be issued to participants in the share incentive scheme when options granted to them are exercised. The shares are currently reflected as treasury shares.

Due to the share incentive scheme not fulfilling its intended objectives given the significant decline in the share price since 2015. The board voted to wind down the existing share scheme and replace it with a share appreciation rights scheme.

43. SHARE APPRECIATION RIGHTS SCHEME

In November 2017, the board approved a share appreciation rights ("SAR") scheme for Texton to replace the existing scheme which was not meeting the required objectives. This scheme is cash-settled and only employees and executive directors can be participants therein. The object and purpose of the SAR scheme is to grant awards to employees to enable them to acquire the cash equivalent of the growth in Texton shares, so as to retain and motivate employees and align their interests with those of stakeholders through exposure to the benefit in any increased market value in Texton shares upon their realisation of their award and, as a consequence, to benefit from an increase in their personal wealth.

The nominations and remuneration committee set the strike price for the SARs by taking the volume weighted average price for the previous 30 trading days and deducting the present value of distributions. SAR holders are only entitled to exercise their rights if they are in the employment of the group in accordance with the terms referred to hereafter, unless otherwise authorised by the board. The appreciation amount, which is calculated as the number of SARs multiplied by the difference between the market value on settlement date and the strike price, will be settled in cash.

The number and weighted average exercise prices of share appreciation rights are:

	GROUP		COMPANY	
	30 June 2020 Number of options	**30 June 2019 Number of options**	**30 June 2020 Number of options**	**30 June 2019 Number of options**
Beginning of year	**714 500**	1 925 250	**714 500**	1 925 250
Granted	**–**	–	**–**	–
Forfeited during the year	**(714 500)**	(1 210 750)	**(714 500)**	(1 210 750)
End of year	**–**	714 500	**–**	714 500
SARs outstanding at 30 June by year of grant are:	**–**	714 500	**–**	714 500

The SARs outstanding as at 30 June 2019 have an exercise price in the range of R1,42 to R3,17 per share and a weighted average contractual life of three to five years. The average value of a Texton share during the year was R4,79 per share.

There were no SARs allotted during the current year.

The scheme is no longer in place and has been terminated.

	Tranche 1	Tranche 2	Tranche 3
2019			
Fair value at measurement date	3,70	4,49	5,19
Exercise price (Rand)	3,17	2,28	1,42
Expected volatility (%)	34,60	33,80	33,80
Option life (years)	2,00	3,00	4,00
Risk-free interest rate (based on the ZAR bond static yield curve)	7,67	7,67	7,67

The volatility is based on the recent historic volatility.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2020

44. STANDARDS, AMENDMENTS AND INTERPRETATIONS EFFECTIVE FOR THE FIRST TIME AT 30 JUNE 2020

The standards, amendments and interpretations effective for the first time in the current financial year have been summarised below. The impact of the adoption of these standards have been considered

IFRS 16

IFRS 16: *Leases* replaces IAS 17: *Leases* along with three interpretations (IFRIC 4: *Determining whether an Arrangement contains a Lease*, SIC 15: *Operating Leases-Incentives* and SIC 27: *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*). The new standard has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised in equity as an adjustment (if any) to the opening balance of retained earnings for the current period. Prior periods have not been restated.

The group has adopted IFRS 16 from 1 July 2019, and comparatives have not been restated, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing guidance are therefore recognised in the opening balances as at 1 July 2019.

Lessor accounting

The group acts as lessor over all of its leases over its Investment property. The leases are classified as operating leases at lease inception.

The group recognises lease payments received under an operating leases as income on a straight-line basis over the lease term as part of revenue.

The group did not make any adjustment to the accounting for assets held under operating leases under IFRS 16.

Lessee accounting

The group recognises a right-of-use asset and a lease liability at commencement date. The right-of-use asset is measured at the initial amount of the lease liability adjusted for any lease payments made in advance any initial direct costs incurred less any lease incentives received. A right-of-use asset in relation to leased land is recognised in investment property.

A right-of-use asset recognised in investment property is subsequently measured at fair value.

The lease liability is initially measured at the present value of the future lease payments discounted using the group's incremental borrowing rate. Lease payments included in the measurement of the finance lease liability comprise:

- Fixed payments
- Variable lease payments dependent on an index or a rate, initially measured using the index or rate as at the lease commencement date.

Transition

The following practical expedients were applied on adoption of IFRS 16:

Short-term leases	The group elected to apply the practical expedient to account for leases with a remaining lease term of less than 12 months as at 1 July 2019 in lease expenses. The exemption is applied per class of underlying asset.
Initial direct costs	The group elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence on adoption of the standard.
Lease term	Use of hindsight for determining the lease term when considering options to extend or terminate leases.
Impairment review of right-of-use assets	Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review.
Discount rate	The group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying assets in a similar economic environment and same entity within the group).

The group has elected not to re-assess whether a contract is, or contains, a lease on adoption of the standard. Instead, for contracts entered into before the adoption date, the group relied on its assessment made, applying IAS 17 along with the three interpretations. The group also elected to apply the recognition exemption relating to low value assets.

44. STANDARDS, AMENDMENTS AND INTERPRETATIONS EFFECTIVE FOR THE FIRST TIME AT 30 JUNE 2020 CONTINUED

Transition continued

Lease liabilities are presented in the statement of financial position as a separate line item as follows:

	GROUP		COMPANY	
	30 June 2020 R'000	30 June 2019 R'000	30 June 2020 R'000	30 June 2019 R'000
Current liabilities				
Lease liabilities	85	–	–	–
Non-current liabilities				
Lease liabilities	3 167	3 326	–	–

Variable lease payments are presented in the statement of comprehensive income under property expenses.

	GROUP		COMPANY	
	30 June 2020 R'000	30 June 2019 R'000	30 June 2020 R'000	30 June 2019 R'000
Rental paid	3 584	4 801	–	–

With the adoption of IFRS16, no changes have been made to the measurement and recognition of leased assets where the group is the lessee.

45. DISPOSAL OF A SUBSIDIARY

In the 2019 financial year, the only property held by Gladstone Investment Holdings Limited, being Talk Talk, Warrington, was disposed of on 16 November 2018. On that date, the liabilities owing to Santander were settled. The entity was liquidated after the sale on 25 June 2019.

	COMPANY
	30 June 2019 R'000
Cash and cash equivalents	76 208
Loan from holding company	(70 708)
Trade and other receivables	–
Trade and other payables	–
Net assets derecognised	5 500

46. INTERESTS IN UNCONSOLIDATED ENTITIES

The group has no interests in unconsolidated entities. In the prior year, it was reported that there was an interest in a broad-based black economic empowerment ("B-BBEE") SPV, however, once the PIC Put Option was voted down by shareholders on 28 December 2018, the agreements linking Texton to the B-BBEE SPV were no longer of any further force and effect. Texton no longer has any interest in the B-BBEE SPV.

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for the year ended 30 June 2020

47. RESTRUCTURE OF INTER-COMPANY LOANS AND WINDING DOWN OF CHOBE INVESTMENT HOLDINGS LIMITED ("CHOBE")

47.1 Transaction steps to unwind Chobe Investment Holdings Limited ("Chobe")

In order to unwind Chobe in due course, the interest-bearing loan owing by Chobe to Texton (approximately R16,6 million) ("Texton loan claim") and the interest-free loans owing by Zeya Investment Holdings Limited (approximately R21,4 million) ("Zeya" and "Zeya loan claim"), Chevelon Investment Holdings Limited (approximately R40,2 million) ("Chevelon" and "Chevelon loan claim") and Heddon Investment Holdings Limited (approximately R4,4 million) ("Heddon" and "Heddon loan claim") to Chobe were settled and repaid in full in terms of the following transaction steps that were entered into and implemented during the financial year:

Step 1: In order to restore Zeya and Chevelon to solvency prior to the settlement of the Zeya loan claim and Chevelon loan claim under Step 3, Texton waived such portion of its interest-bearing loan claim against each of Zeya and Chevelon to the extent required to restore each of them to solvency. The total waiver amounted to R71,3 million.

Step 2: Texton and Chobe then entered into a Loan repayment and share repurchase agreement in terms of which, subject to and following Step 1, (i) Chobe repaid and settled the Texton loan claim in full by ceding an equivalent portion of the Zeya loan claim to Texton and (ii) Chobe repurchased all (but one) of its shares held by Texton for a repurchase consideration equal to the aggregate face value of the Chevelon loan claim, Heddon loan claim and remaining portion of the Zeya loan claim, which repurchase consideration Chobe settled in full by ceding the aforesaid loan claims to Texton.

This resulted in a decrease in investments of R49,3 million. The repurchase of shares resulted in a restructuring gain of R22,4 million.

Step 3: Texton then entered into a loan repayment and subscription agreement with each of Zeya, Chevelon and Heddon (each a "Subco"), in terms of which, subject to and immediately following the acquisition by Texton of the Chevelon loan claim, Heddon loan claim and Zeya loan claim (each a "Subco loan claim") under Step 2, Texton subscribed for further shares in each Subco for a subscription consideration equal to the face value of the relevant Subco loan claim, whereafter that Subco's obligation to repay that Subco loan claim to Texton, and Texton's obligation to pay the said subscription consideration to that Subco, were fully settled and discharged by way of automatic set-off of such obligations against each other.

This resulted in an increase in investments of R65,9 million. Refer to note 40.

Shareholders were notified in terms of section 45(5) of the financial assistance granted by Texton.

47.2 Transfer of properties from Vunani Property Investment Trust ("VPIT") to Investage Properties 181 Proprietary Limited ("Investage")

In order to simplify the Group structure, Texton embarked on an internal restructure whereby the properties owned by VPIT will be transferred to Investage in terms of Section 42 of the Income Tax Act.

Investage is a subsidiary of Texton and VPIT is a controlled entity of Texton, where Texton is 100% beneficiary of the Trust.

Texton had an interest free loan owing from VPIT which consisted of three debts:

- firstly, an amount of approximately R194 473 568,60 of such loan claim, the proceeds of which the VPIT used to acquire and/or refinance all or some of the Properties (such debt is hereinafter referred to as "the Loan Claim");
- secondly, an amount of approximately R35 434 375,68 of such loan claim, which arose pursuant to the VPIT declaring, from time to time, the distribution of its net income to Texton (as a beneficiary of the Trust), some of which distributions were left outstanding on loan account as a result of the Trust not being in a position to settle same due to its operational requirements (such debt is hereinafter referred to as "the Distribution Loan Claim"); and
- thirdly, an amount of approximately R974 218,16 of such loan claim, which arose pursuant to Texton settling from time to time, on behalf of the Trust, certain working capital requirements of the Trust (such debt is hereinafter referred to as "the Working Capital Loan Claim").

In order to achieve the restructure the following transactions were entered into and implemented:

Step 1: VPIT and Investage entered into a disposal agreement whereby VPIT disposed of its properties to Investage in exchange for the assumption of the loan claim and the issue of 445 ordinary shares in Investage to VPIT('the Consideration shares").

Step 2: Texton and Investage entered into a Loan Repayment and Subscription agreement ("the LRS agreement"), in terms of which, immediately following the assumption of the loan claim by Investage but prior to the issue of the Consideration shares to VPIT under the Disposal agreement, Texton subscribed for 420 ordinary shares in Investage for an aggregate subscription consideration in an amount equal to the loan claim. In terms of the LRS Agreement, the obligation of Investage to repay the Loan Claim to Texton and the obligation of Texton to pay the Subscription Consideration to Investage was fully discharged by way of automatic set-off of such obligations against each other, and such settlement will constitute due and proper discharge of such obligations.

Step 3: Texton and VPIT entered into a loan repayment and capital contribution agreement ("the LRCC agreement"), whereby Texton made a capital contribution to the Trust in an aggregate amount equal to the Distribution loan claim ("the Capital contribution"). In terms of the LRCC Agreement, the obligation of the Trust to repay the Distribution Loan Claim to Texton and the obligation of Texton to pay the Capital Contribution to the Trust will be fully discharged by way of automatic set-off of such obligations against each other, and such settlement will constitute due and proper discharge of such obligations.

Step 4: VPIT will, in due course, settle the Working Capital Loan Claim in full by paying the amount thereof in cash to Texton.

48. REPRESENTATIONS AND RESTATEMENTS

48.1 Representation of investment property held for sale

Following a review of the assets disclosed in the Group and Company Statement of Financial Position during the current financial year, the following assets have been represented in the current year:

		GROUP			COMPANY		
Statement of financial position	**Note**	**Previously reported 30 June 2019 R'000**	**Repre-sentation 30 June 2019 R'000**	**Restated 30 June 2019 R'000**	**Previously reported 30 June 2019 R'000**	**Repre-sentation 30 June 2019 R'000**	**Restated 30 June 2019 R'000**
Current assets	48.1.1	911 438	(529 523)	381 915	1 454 333	(140 000)	1 314 333
Investment property held for sale	48.1.1	–	529 523	529 523	–	140 000	140 000

48.1.1 Representation of Investment property held for sale

Investment property held for sale was previously classified under current assets, this has now been disclosed separately on the statement of financial position.

48.2 Reclassification of income and expenses

Following a review of the income and expenses disclosed in the group and company statement of comprehensive income during the current financial year, the following income and expenses have been reclassified in the current year:

		GROUP			COMPANY		
Statement of comprehensive income	**Note**	**Previously reported 30 June 2019 R'000**	**Reclas-sification 30 June 2019 R'000**	**Restated 30 June 2019 R'000**	**Previously reported 30 June 2019 R'000**	**Reclas-sification 30 June 2019 R'000**	**Restated 30 June 2019 R'000**
Property expenses	48.2.1	(191 929)	(1 505)	(193 434)	(114 228)	(174)	(114 402)
Impairment loss on trade receivables	48.2.1	–	1505	1 505	–	174	174
Finance income	48.2.2	(184 198)	–	(184 198)	147 343	(32 849)	114 494
Other income	48.2.2	11 000	–	11 000	104 006	32 849	136 855
Fair value adjustments	48.2.3	(699 524)	–	(699 524)	(647 148)	226 757	(420 391)
Impairment of investments in subsidiaries	48.2.3	–	–	–	–	(226 757)	(226 757)

48.2.1 Impairment loss on trade receivables

Impairment loss on trade receivables of R1,5 million (group) and R0,1 million (company) was previously included under property expenses, has now been disclosed separately on the statement of comprehensive income due to IFRS 9 disclosure.

48.2.2 Distribution from group entities

Distributions from group entities of R32,8 million were previously included under finance income. This has now been included under other income as it more accurately presents the distributions.

48.2.3 Impairment of investment in subsidiaries

Impairments of investments in subsidiaries of R226 million were previously included under fair value adjustments. This has now been disclosed separately on the statement of comprehensive income as required in IAS 1.29 to separately present material items.

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for the year ended 30 June 2020

48. REPRESENTATIONS AND RESTATEMENTS CONTINUED

48.3 Restatement of statement of cash flow statement

The statement of cash flows for the Company has been restated to reflect:

- Distributions from group entities of R32,8 million were previously included under finance income, this has now been included under other income as it more accurately presents the distributions
- The dividends received from subsidiaries and group entities previously disclosed as cash generated from operations and as repayment of subsidiary and group entity loans to being separately disclosed on the statement of cash flows as "dividends received" as it more accurately represents the cash flow. The statement of financial position was not impacted by the error and hence the opening balances of assets, liabilities and equity for the earliest prior period was not presented.

	COMPANY		
	Previously reported 30 June 2019 R'000	Adjustment 30 June 2019 R'000	Restated 30 June 2019 R'000
Cash flows from operating activities			
Cash generated by operations	216 418	(43 658)	172 760
Dividends received	–	126 632	126 632
Net cash outflow from operating activitles	(133 060)	82 974	(50 086)
Cash flows from investing activities			
Loans repaid by subsidiaries	292 614	(50 125)	242 489
Loans repaid by Group entities	86 921	(32 849)	54 072
Net cash in flow from investing activities	406 404	(82 974)	323 430

49. STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

In terms of IFRS, the company is required to include in its annual financial statements disclosure about the future impact of standards and interpretations issued but not yet effective as at the issue date.

At the date of authorisation of the annual financial statements of the company for the year ended 30 June 2020, the following standards and interpretations were in issue but not yet effective which are applicable to the company:

Statement	Effective for accounting periods beginning on or after	Summary of key points	Impact on the company
Amendments to IFRS 3: *Definition of a Business*	Annual periods beginning on or after 1 January 2020	This amendment is aimed at resolving difficulties that arise when an entity determines whether it has acquired a business or a group of assets.	As the company is a property company, we will apply the concentration test as required by IFRS 3 on any new acquisitions.
Amendment to IAS 1 and IAS 8: *Definition of Material*	Annual periods beginning on or after 1 January 2020	The amendment clarifies the definition of material and to align the definition used in the conceptual framework.	The changes are not expected to have a material impact on the financial statements and the group will apply the amendments prospectively.
Amendment to IFRS 16: *COVID-19 Related rent concessions*	Annual periods beginning on or after 1 June 2020	The amendment to the standard is to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.	The group is a lessee in long-term land leases, however, the amendments are not expected to have a material impact on the financial statements of the group.
Amendments to References to the Conceptual Framework in IFRS Standards	Annual periods beginning on or after 1 January 2020	Revised definitions of an asset and a liability and new guidance on measurement and derecognition, presentation and disclosure.	The changes are not expected to have a material impact on the financial statements and the group will apply the amendments prospectively.
Annual Improvements to IFRS Standards 2018 – 2020 (May 2020)	Annual periods beginning on or after 1 June 2022	The pronouncement contains amendments to four IFRS as result of the IASB's annual improvements project.	The changes are not expected to have a material impact on the group financial statements.
Amendments to IFRS 3 (May 2020): *Reference to the Conceptual Framework*	Annual periods beginning on or after 1 June 2022	The amendment seeks to updated an outdated reference in IFRS 3 without significantly changing the its requirements.	The changes are not expected to have a material impact on the financial statements and the group will apply the amendments prospectively.
Amendments to IAS 1: *Classification of Liabilities as Current or Non-current*	Annual periods beginning on or after 1 January 2023	The amendment aims at providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place a the reporting date.	The changes will not have a material impact on the financial statements and the group will apply the amendments prospectively.

SCHEDULE OF PROPERTIES

Property name	Geographic location	Gross lettable area (m²)	Weighted average rental per m² R	Acquisition date
SOUTH AFRICA				
INDUSTRIAL				
Hermanstad Business Park	Gauteng	43 988	35,37	31 December 2014
Alrode Industrial Park	Gauteng	16 557	47,92	10 June 2015
42 Press Avenue	Gauteng	6 462	20,00	24 July 2014
89 Ridder Street	North west province	3 720	49,61	15 December 2011
28 Press Avenue	Gauteng	3 957	29,07	24 July 2014
Total South African industrial		**74 684**		
OFFICES				
Foretrust	Western Cape	26 780	183,97	14 February 2012
Bryanston Gate Office Park	Gauteng	16 651	93,32	1 April 2014
Wellington Road	Gauteng	10 019	136,74	17 March 2014
151 Katherine Street	Gauteng	8 621	146,76	11 August 2011
Belvedere Place	Gauteng	10 873	82,24	2 October 2006
12 Laub Street	Gauteng	27 450	63,27	30 October 2014
The Grid	Gauteng	4 528	193,08	18 January 2016
Investment Place	Gauteng	6 326	128,23	2 October 2006
377 Rivonia Boulevard	Gauteng	4 886	100,95	6 November 2012
Wale Street Chambers	Western Cape	6 982	103,77	29 September 2006
Scott Street	Gauteng	4 329	117,63	18 September 2014
1 Osborne Lane	Gauteng	3 865	134,17	12 September 2014
Quintiles	Free State	3 404	117,16	18 September 2014
Greenstone Hill Office Park Building 11	Gauteng	3 236	167,79	1 August 2013
Lion Roars	Eastern Cape	4 027	105,89	6 December 2011
Rynlal	Gauteng	5 882	92,57	29 September 2006
14 Loop Street	Western Cape	2 323	155,42	11 August 2011
Greenstone Hill Office Park Building 10	Gauteng	2 275	136,12	1 August 2013
Greenstone Hill Office Park Building 2	Gauteng	2 391	167,17	30 October 2013
35 Morsim Road	Gauteng	2 038	115,55	15 Noveber 2006
Greenstone Hill Office Park Building 12	Gauteng	2 326	182,54	1 August 2013
Greenstone Hill Office Park Building 4	Gauteng	2 627	–	1 August 2013
66 Wierda Road East	Gauteng	1 806	160,39	31 December 2014
Greenstone Hill Office Park Building 9	Gauteng	1 822	108,21	11 August 2011
Standard Bank Springs	Gauteng	1 916	102,67	30 November 2006
Greenstone Hill Office Park Building 13	Gauteng	974	95,49	1 August 2013
370 Rivonia Boulevard	Gauteng	1 743	122,44	2 October 2006
St Georges Mall	Western Cape	1 104	–	18 September 2014
54 Bompas Road	Gauteng	750	121,22	31 December 2014
Greenstone Hill Office Park Building 15	Gauteng	1 126	176,09	1 August 2013
Greenstone Hill Office Park Building 14	Gauteng	1 128	129,08	1 August 2013
Greenstone Hill Office Park Building 5	Gauteng	789	173,64	1 August 2013
Standard Bank Harrismith	Kwazulu-Natal	1 086	103,59	15 November 2006
Greenstone Hill Office Park Building 6	Gauteng	635	0,00	11 August 2011
Standard Bank Stanger	Kwazulu-Natal	1 253	235,40	30 November 2006
Greenstone Hill Office Park Coffee Shop	Gauteng	107	86,99	1 August 2013
Total South African offices		**178 077**		

Purchase price R'000	Valuation R'000	Address
148 074	131 000	Hermanstad, Pretoria
51 138	37 300	Alrode, Johannesburg
32 708	28 000	Selby, Johannesburg
28 982	9 200	Rustenburg
20 029	10 300	Selby, Johannesburg
280 931	**215 800**	
249 500	340 000	Roggebaai, Cape Town
174 000	183 000	Bryanston, Johannesburg
102 500	133 700	Parktown, Johannesburg
104 000	120 200	CBD, Cape Town
70 400	122 000	Sunninghill, Johannesburg
153 948	92 500	New Centre, Johannesburg
105 400	93 700	Rivonia, Johannesburg
48 000	79 600	Hyde Park, Johannesburg
64 500	67 700	Rivonia, Johannesburg
14 100	58 692	CBD, Cape Town
107 805	54 500	Waverley, Johannesburg
48 326	53 000	Bedfordview, Johannesburg
47 500	45 500	Bloemfontein
47 376	46 000	Greenstone Hill, Edenvale
52 100	37 700	Walmer, Port Elizabeth
16 950	33 000	Lynnwood, Pretoria
37 100	35 100	CBD, Cape Town
33 305	38 300	Greenstone Hill, Edenvale
54 348	34 500	Greenstone Hill, Edenvale
23 800	30 500	Hyde Park, Johannesburg
34 059	33 000	Greenstone Hill, Edenvale
38 460	26 600	Greenstone Hill, Edenvale
40 696	22 200	Wierda Valley, Johannesburg
18 000	24 200	Greenstone Hill, Edenvale
8 700	12 000	Springs
14 260	9 700	Greenstone Hill, Edenvale
6 800	11 000	Rivonia, Johannesburg
21 130	5 900	CBD, Cape Town
10 061	12 200	Dunkeld, Johannesburg
16 485	13 900	Greenstone Hill, Edenvale
16 516	12 600	Greenstone Hill, Edenvale
11 551	10 300	Greenstone Hill, Edenvale
2 500	8 000	Harrismith, KwaZulu-Natal
14 180	5 800	Greenstone Hill, Edenvale
8 700	6 500	Stanger, KwaZulu-Natal
1 565	1 300	Greenstone Hill, Edenvale
1 818 621	**1 914 392**	

SCHEDULE OF PROPERTIES CONTINUED

Property name	Geographic location	Gross lettable area (m²)	Weighted average rental per m² R	Acquisition date
SOUTH AFRICA CONTINUED				
RETAIL				
Golddurb	Kwazulu-Natal	13 331	132,18	22 February 2016
Kempstar Mall	Gauteng	6 019	239,43	31 December 2014
Woodmead Commercial Park	Gauteng	13 197	89,70	31 December 2014
Total South African retail		**32 547**		
Total South African portfolio		**285 308**		
UNITED KINGDOM				
INDUSTRIAL				
DHL, Doncaster	England	25 294	77,79	10 December 2015
Caterpillar	England	10 117	104,21	4 February 2016
Gainsborough	England	7 912	98,22	17 August 2016
Total United Kingdom industrial		**47 283**		
OFFICE				
Browne Jacobson, Nottingham	England	5 360	62,26	17 August 2016
Total United Kingdom offices		**5 360**		
RETAIL				
B&Q, Camborne	England	4 465	253,48	8 January 2016
INDUSTRIAL				
Heddon Booker Warehouse	England	3 960	53,21	27 February 2015
RETAIL				
Chevelon	England	1 737	459,46	27 May 2015
Parc Pensarn	Wales	1 789	215,30	27 May 2015
Total United Kingdom retail		**11 952**		
Total United Kingdom portfolio		**60 634**		
Total property portfolio		**345 942**	**51,83**	

Purchase price R'000	Valuation R'000	Address
190 000	134 800	CBD, Durban
107 454	124 000	Kempton Park, Johannesburg
146 280	107 000	Woodmead, Johannesburg
443 734	**365 800**	
2 543 286	**2 495 992**	
368 220	167 205	Tickhill, England
180 703	156 015	Peterlee, England
112 116	49 709	Gainsborough, England
690 199	**561 652**	
169 920	40 026	Nottingham, England
169 920	**40 026**	
224 200	174 952	Camborne, England
29 160	188 724	Burton-on-Trent, England
129 511	86 077	Nottingham, England
57 355	391 650	Carmarthen, Wales
440 226	**841 403**	
1 271 185	**1 254 357**	
3 814 471	**3 750 349**	

SHAREHOLDERS' ANALYSIS

for the year ended 30 June 2020

SHAREHOLDER SPREAD	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
1 – 10 000 shares	1 148	59,39	3 853 403	1,02
10 001 – 100 000 shares	631	32,64	18 762 465	4,99
100 001 – 1 000 000 shares	124	6,41	39 438 327	10,49
1 000 001 – 3 000 000 shares	13	0,67	28 280 695	7,52
More than 3 000 000 shares	17	0,88	285 731 876	75,98
	1 933	**100,00**	**376 066 766**	**100,00**

DISTRIBUTION OF SHAREHOLDERS	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Assurance companies	4	0,21	1 382 641	0,37
Close corporations	21	1,09	2 339 063	0,62
Collective investment schemes	34	1,76	60 671 690	16,13
Custodians	6	0,31	3 471 544	0,92
Foundations and charitable funds	19	0,98	4 156 787	1,11
Investment partnerships	6	0,31	36 844	0,01
Managed funds	10	0,52	1 295 243	0,34
Medical aid funds	7	0,36	927 579	0,25
Organs of state	1	0,05	71 426 884	18,99
Private companies	81	4,19	121 035 844	32,18
Public companies	1	0,05	622	0,00
Retail shareholders	1 503	77,75	35 272 989	9,38
Retirement benefit funds	31	1,60	9 218 738	2,45
Scrip lending	1	0,05	284 230	0,08
Stockbrokers and nominees	8	0,41	8 236 559	2,19
Treasury	2	0,10	26 672 213	7,09
Trusts	198	10,24	29 637 296	7,88
	1 933	**100,00**	**376 066 766**	**100,00**

SHAREHOLDER TYPE	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Non-public shareholders	9	0,47	209 987 717	55,84
Directors and associates of the company (direct shareholding)	3	0,16	5 000	0,00
Directors and associates of the company (indirect shareholding)	3	0,16	111 883 620	29,75
Shareholder >10% of the shares in issue: government employees				
Pension fund	1	0,05	71 426 884	18,99
Treasury	2	0,10	26 672 213	7,09
Public shareholders	1 924	99,53	166 079 049	44,16
	1 933	**100,00**	**376 066 766**	**100,00**

BENEFICIAL SHAREHOLDERS WITH A HOLDING GREATER THAN 3% OF THE ISSUED SHARES	Number of shares	% of shares issued
Oak Tech Trading Proprietary Limited	84 537 800	22,48
Government Employees Pension Fund	71 426 884	18,99
Coronation Fund Managers	20 991 034	5,58
Nedbank Group	17 670 657	4,70
Kloof Capital South Africa Proprietary Limited	17 439 181	4,64
Discus House Proprietary Limited	16 243 865	4,32
Ninety One	14 671 705	3,90
	242 981 126	**64,61**
Total number of shareholdings	**1 933**	
Total number of shares in issue	376 066 766	

CORPORATE INFORMATION

TEXTON PROPERTY FUND LIMITED

Incorporated in the Republic of South Africa
Registration number: 2005/019302/06
A REIT, listed on the JSE Limited
JSE share code: TEX
ISIN: ZAE000190542

PHYSICAL AND REGISTERED ADDRESS

Block C, Investment Place
10th Road, Hyde Park 2196
PO Box 653129, Benmore 2010

BOARD OF DIRECTORS

M Golding *(non-executive chairman)*
MH Muller*# *(chief executive officer)*
IF Pick*$ *(chief financial officer)*
A Hannington *(independent non-executive)*
JR Macey *(lead independent non-executive)*
S Thomas *(independent non-executive)*
R Franco^ *(non-executive)*
W van der Vent^ *(independent non-executive)*
P Hack*&

* *Executive director.*
\# *Resigned as chief executive officer effective 31 March 2020.*
$ *Resigned as chief financial officer on 4 December 2019.*
^ *Appointed on 29 November 2019.*
& *Appointed as chief financial officer on 12 June 2020.*

COMPANY SECRETARY

Motif Capital Partners
The Link, 1st Floor, 173 Oxford Road
Rosebank 2196

AUDITOR

SizweNtsalubaGobodo Grant Thornton Inc
20 Morris Street East
Woodmead 2191

SPONSOR

Investec Bank Limited
100 Grayston Drive
Sandton

TRANSFER SECRETARY

Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank 2196
PO Box 61051, Marshalltown 2107

INVESTOR RELATIONS

Catchwords
Block C, 2 Davidson Street, Rynfield
Benoni 1501

SHAREHOLDERS' DIARY

Financial year-end	30 June
Publication of audited results	23 September 2020
Summarised consolidated financial statements and notice of annual general meeting posted to shareholders	22 October 2020
Annual general meeting	20 November 2020

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