
Texton Property Fund Limited
Registration number: 2005/019302/06
Approved as a REIT by the JSE
Share code: TEX ISIN: ZAE000190542
("Texton" or "the group" or "the Company")

**SUMMARISED AUDITED CONSOLIDATED ANNUAL FINANCIAL RESULTS FOR THE YEAR
ENDED 30 JUNE 2021 AND THE DECLARATION OF A CASH DIVIDEND**

ABOUT TEXTON

Texton is a JSE-listed Real Estate Investment Trust ("REIT") that offers shareholders access to a property portfolio that aims to deliver long-term income and capital growth. The portfolio is valued at R3,6 billion as at 30 June 2021 (June 2020: R4,5 billion) comprising of 42 properties (June 2020: 53) in both South Africa ("SA") and the United Kingdom ("UK"). The portfolio includes commercial office, industrial, retail properties and a 50% interest in Broad Street Mall ("BSM").

The geographic split of the portfolio by value is 61,1% (June 2020: 55,9%) in SA and 38,9% (June 2020: 44,1%) in the UK (including the interest in BSM). The portfolio in SA is made up of 74,9% office, 8,4%, industrial and 16,7% retail. The wholly owned portion of the UK portfolio is made up of 22,3% office, 28,1% retail and 49,5%, industrial by value.

KEY FINANCIAL RESULTS

	Year ended 30 June 2021	Year ended 30 June 2020	Change %
Property revenue (R'000)	444 448	521 905	(14.8)
Distributable earnings (R'000)	167 706	116 813	43.6
Headline earnings/(loss) per share (cents)	57.97	(23.35)	348.3
Earnings/(Loss) per share (cents)	73.26	(37.35)	296.1
Net asset value per share (cents)	625.88	584.26	7.1

HIGHLIGHTS

Operational excellence

- Strengthening of the property team by the appointment of a Chief Operating Officer, Jonathan Rens, who was one of the founding executives of Acucap Properties Limited
- Texton has internalised its property management function which enables management to have a direct line of contact with tenants and allows for faster responses to tenants needs
- Continued to invest capital into the properties in South Africa to defend their value and reposition assets as a result of the COVID-19 pandemic
- Significant investment undertaken to defend our weighted average lease expiry in SA which has resulted in 43% of our leases by rental value expiring after five years as opposed to just 18.3% as at 30 June 2019
- Record number of new leases signed in SA
- Investments made to increase the supply of solar power in the portfolio through the installation of PV systems taking our generating power to 563Kwp and looking to double this output in the medium term

Balance sheet strength

- Loan To Value (“LTV”) has decreased from 46,2% (June 2020) to 31,8% (June 2021)
- Texton has R360 million of cash on hand and a further R149 million available in debt facilities
- Reduced bank debt by R567,1 million of which R451,9 million is a permanent reduction
- UK properties have significantly increased in value, which has offset the decrease in SA property value, therefore on a net basis, the valuation of property has remained stable
- De-risked the balance sheet by the removal of GBP debt secured against SA assets and the reduction in the cross currency interest rate swap (“CCIRS”)

Earnings

- Distributable income increased by 43.6% compared to the prior financial year
- Net property income on a like-for-like basis decreased by 3,3% even though property revenue has fallen by 14.8% in year due to tight cost management and the sale of non-core assets
- Cost savings across the portfolio have achieved pleasing results as a result of the response to the COVID-19 pandemic, many of which will be permanent savings in the portfolio
- Significant decrease in the cost of debt achieved through the renegotiation of bank loan terms and the unwinding of interest rate swaps
- Collection rate of 98,8% in SA and 100.0% in the UK over the past financial year

Declaration of a dividend

- Texton has made R128 million available for distribution as a dividend to shareholders. This represents a pay-out ratio of 76.3%, based on the number of shares (net of treasury shares including shares repurchased post 30 June 2021), amounts to 37.47 cents per share.

Share Buyback

- Texton has repurchased 5 294 052 in the market at an average price of R2.59 per share before 30 June 2021 and then further repurchased 2 457 839 in the market at an average price of R3.19 per share post year end to date.

DECLARATION OF A CASH DIVIDEND

Notice is hereby given of a declaration of the gross final cash dividend of **37.47** cents per share for the year ended 30 June 2021 (“Cash Dividend”)

Salient dates and time	2021
Last day to trade (“LDT”) cum dividend	Tuesday, 5 October
Shares to trade ex-dividend	Wednesday, 6 October
Record date	Friday, 8 October
Cheques posted to Certificated Shareholders and accounts credited by CSDP or broker	Monday, 11 October

Notes:

1. Shares may not be dematerialised or rematerialised between commencement of trade on Wednesday, 6 October 2021 and the close of trade on Friday, 8 October 2021.

TAX IMPLICATIONS

As the Company has REIT status, shareholders are advised that the dividend meets the requirements of a “qualifying distribution” for the purposes of section 25BB of the Income Tax Act (No. 58 of 1962), as amended, (“Income Tax Act”). The dividend on the Shares will be deemed to be a dividend, for South African tax purposes, in terms of section 25BB of the Income Tax Act.

South African tax residents

The dividend received by or accrued to South African tax residents must be included in the gross income of such Shareholders and will not be exempt from income tax (in terms of the exclusion to the general dividend exception, contained in paragraph (aa) of section 10(1)(k)(i) of the Income Tax Act) because it is a dividend distributed by a REIT. The dividend is exempt from dividend withholding tax in the hands of South African tax resident shareholders, provided that the South African resident Shareholders provide the following forms to the CSDP or broker in respect of uncertificated shares, or to the company, in respect of certificated shares:

- a declaration that the dividend is exempt from dividend tax; and
- a written undertaking to inform the CSDP, broker or the Company, should the circumstances affecting the exemption change or the beneficial owner cease to be the beneficial owner,

both in the form prescribed by the Commissioner for the South African Revenue Service. Shareholders are advised to contact their CSDP, broker or the Company to arrange for the abovementioned documents to be submitted prior to payment of the dividend if such documents have not already been submitted.

Non-resident shareholders

Dividends received by non-resident shareholders will not be taxable as income. Instead, they will be treated as an ordinary dividend which is exempt from income tax in terms of the general dividend exemption in section 10(1)(k)(i) of the Income Tax Act. It should be noted that up to 31 December 2013 dividends received by non-residents from a REIT were not subject to dividend withholding tax. Since 1 January 2014, any dividend received by a non-resident from a REIT will be subject to dividend withholding tax at 20%, unless the rate is reduced in terms of any applicable agreement for the avoidance of double taxation (“DTA”) between South Africa and the country of residence of the shareholder concerned. Assuming dividend withholding tax will be withheld at a rate of 20%, the net dividend amount due to non-resident shareholders is **29.976** cents per share. A reduced dividend withholding rate in terms of the applicable DTA may only be relied on if the non-resident shareholder has provided the following form to their CSDP or broker in respect of uncertificated shares, or the company, in respect of certificated shares:

- (a) a declaration that the dividend is subject to a reduced rate as a result of the application of DTA; and
- (b) a written undertaking to inform their CSDP, broker or the Company, should the circumstances affecting the reduced rate change or the beneficial owner cease to be the beneficial owner

both in the form prescribed by the Commissioner for the South African Revenue Service. Non-resident Shareholders are advised to contact their CSDP, broker or the Company to arrange for the abovementioned documents to be submitted prior to payment of the dividend if such documents have not already been submitted.

The company’s tax reference number is: 9353785158

This short-form announcement is the responsibility of the Board and does not include full or complete details. Any investment decision should be based as a whole on the summarised audited consolidated annual financial results (“full announcement”), which may be downloaded from:

<https://senspdf.jse.co.za/documents/2021jse/isse/TEX/abridged.pdf>

The full announcement is also available for inspection at the registered offices of the Company or its Sponsor, at no charge, during office hours for a period of 30 calendar days following the date of this announcement. The full announcement is also available on the Company’s website at: <https://www.texton.co.za/index.php/SENS-Announcements/SENS>

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

The summarised audited consolidated annual financial results are extracted from the financial statements but is not audited. The consolidated financial statements for the year ended 30 June 2021

were audited by BDO South Africa Inc., who expressed an unmodified opinion thereon. The audited consolidated financial statements for the year ended 30 June 2021 and the auditor's report includes communication of key audit matters. Key audit matters are those matters that, in their professional judgement, were of most significance in their audit of the consolidated financial statements of the current period. The full report is available for inspection at the Company's registered office and on the Company's website.

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

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

By order of the Board
14 September 2021

Directors

M Golding (*Non-executive chairman*) P Welleman* (*chief executive officer*) P Hack* (*chief financial officer*) JR Macey (*Lead independent non-executive*) A Hannington (*Independent non-executive*) S Thomas (*Independent non-executive*) R Franco (*Non-executive*) W van der Vent (*Independent non-executive*)

* *Executive director*

Company secretary
Motif Capital Partners,
173 Oxford Road,
Rosebank, 2196

Registered office and business address

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151 Katherine Street, Sandton, 2031

Transfer secretaries

Computershare Investor Services Proprietary Limited
2nd Floor, Rosebank Towers
15 Biermann Avenue, Rosebank

Sponsor

Investec Bank Limited
100 Grayston Drive
Sandown, Sandton 2196

Auditor

BDO South Africa Inc.
6th floor, 123 Hertzog Boulevard,
Foreshore, Cape Town, 8001