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

Reviewed condensed consolidated financial statements for the year ended 30 June 2016

Financial highlights

Distribution per share up 9,4%
103,68 cents (2015: 94,77)

Net tangible asset value down 4,1%
1 006,81 cents per share (2015: 1 049,87 cents per share)
Up 2,8% from 31 December 2015
(979,56 cents per share)

Investment property income up 39,9%
R561,4 million (2015: R401,2 million)

Net property income up 41,3%
R400,7 million (2015: R283,5 million)

Loan to value ratio down 37,2%
(2015: R38,8%)

Non-financial highlights

Gross lettable area up 22,6%
427 831m2 (2015: 349 051m2)

National/listed/blue-chip tenants (by GLA) up 15,2%
57,5% (2015: 49,9%)

Government tenants (by GLA) down 33,9%
12,5% (2015: 18,9%)

Portfolio value (including Broad Street Mall) up 39,3%

R5,774 billion (2015: R4,146 billion)

Condensed consolidated statement of financial position at 30 June 2016

	Reviewed 30 June 2016 R'000	Audited 30 June 2015 R'000
Assets		
Non-current assets	5 498 451	4 338 969
Investment property	4 990 914	4 146 385

Property, plant and equipment	10 930	8 322
Goodwill	–	77 018
Investment in joint venture	262 938	–
Other financial assets	132 108	–
Other non-current assets	8 027	8 923
Restricted cash	93 534	98 321
Current assets	323 974	361 287
Trade and other receivables	38 064	85 182
Investment property reclassified as held-for-sale	133 000	24 000
Income tax receivable	3 781	3 631
Restricted cash	25 134	28 089
Cash and cash equivalents	123 995	220 385
Total assets	5 822 425	4 700 256
Equity and liabilities		
Stated capital	2 906 923	2 037 921
Retained earnings	788 906	832 781
Share-based payment reserve	1 074	1 074
Foreign exchange translation reserve	(102 579)	9 223
Shareholders' interest	3 594 324	2 880 999
Non-current liabilities	1 832 586	1 719 760
Other financial liabilities	1 828 971	1 716 145
Deferred tax	3 615	3 615
Current liabilities	395 515	99 497
Current portion of other financial liabilities	315 429	30 613
Trade and other payables	80 086	68 884
Total liabilities	2 228 101	1 819 257
Total equity and liabilities	5 822 425	4 700 256
Shares in issue ('000)	357 362	267 424
Net asset value per share (cents)	1 005,79	1 077,32
Net tangible asset value less deferred tax per share (cents)	1 006,81	1 049,87

Condensed consolidated statement of comprehensive income for the year ended 30 June 2016

	Reviewed 30 June 2016 R'000	Audited 30 June 2015 R'000
Investment property income	561 362	401 181
Straight-line rental adjustment	10 871	9 590
Revenue	572 233	410 771
Property expenses	(171 521)	(127 269)

Net property income	400 712	283 502
Profit from joint venture	5 053	-
Other income	2 033	22 804
Other operating expenses	(11 253)	(9 167)
Foreign exchange losses	(10 695)	(9 463)
Asset management fees	(27 908)	(14 834)
Operating profit	357 942	272 842
Finance income	84 877	585
Finance costs	(130 820)	(77 588)
Fair value adjustments	11 945	164 242
Capital items	(52)	(114)
Profit before income tax	323 892	359 967
Income tax	-	(8 063)
Profit for the year	323 892	351 904
Other comprehensive income		
Items that may be reclassified to profit or loss	-	-
Exchange differences on translation of foreign operations	(111 802)	9 223
Total comprehensive income for the year	212 090	361 127
Reconciliation of attributable income to earnings, headline earnings		
Earnings attributable to shareholders	323 892	351 904
Gain on bargain purchase	-	(14 071)
Gross revaluation of investment property	(55 375)	(165 748)
Impairment of goodwill	77 018	-
Profit on sale of property	-	(5 791)
Headline earnings attributable to shareholders	345 535	166 294
Weighted average number of shares ('000) (basic and diluted)	335 208	200 337
Basic and diluted earnings per share (cents)	96,62	175,66
Headline and diluted earnings per share (cents)	103,08	83,01
Dividend per share (cents)	103,68	94,77
Interim dividend	51,52	44,68
Final dividend*	52,16	50,09

*Declared subsequent to reporting period.

Condensed consolidated statement of cash flows
for the year ended 30 June 2016

	Reviewed 30 June 2016 R'000	Audited 30 June 2015 R'000
Net cash inflow from operating activities	9 058	15 669
Net cash outflow from investing activities	(1 361 299)	(518 689)

Net cash inflow from financing activities	1 248 607	658 271
Net (decrease)/increase in cash and cash equivalents	(103 634)	155 251
Effect of the conversion of foreign operations on cash and cash equivalents	(4 479)	685
Release of restricted cash	11 723	-
Cash and cash equivalents at the beginning of the year	220 385	64 449
Cash and cash equivalents at the end of the year	123 995	220 385

Distributable earnings
for the year ended 30 June 2016

	Reviewed 30 June 2016 R'000	Audited 30 June 2015 R'000
Revenue	561 362	401 181
Property expenses	(171 521)	(127 269)
Profit from joint venture	5 053	-
Other income	4 097	8 733
Bargain purchase price	-	14 071
Other operating expenses	(11 253)	(9 167)
Asset management fees	(27 908)	(14 834)
Net finance cost	(43 496)	(76 616)
Finance income	84 877	585
Finance cost	(130 820)	(77 588)
Finance cost amortisation	2 447	387
Taxation	-	(692)
Accrued distribution included in share price	27 720	19 583
Distribution of foreign exchange gain	26 674	-
Dividends on treasury shares	19 166	8 381
Realisation of property revaluation	-	8 059
Total distribution	389 894	231 430

Operating segments
The Group has two reportable segments based on the geographic splits in South Africa and the United Kingdom which are the Group's strategic business segments. The geographic segments are then split between office, retail and industrial.

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

Reconciliation from segment result to profit for the year
for the year ended 30 June 2016

	Reviewed 30 June 2016 R'000	Audited 30 June 2015 R'000
Segment results	389 841	273 912
Straight-line rental adjustment	10 871	9 590
Other income	2 033	22 804
Share of profit from joint venture	5 053	-
Other operating expenses	(11 253)	(9 167)
Foreign exchange losses	(10 695)	(9 463)
Asset management fees	(27 908)	(14 834)
Finance income	84 877	585
Finance cost	(130 820)	(77 588)
Fair value adjustment	11 945	164 242
Capital items	(52)	(114)
Income tax	–	(8 063)
Profit for the year	323 892	351 904

Condensed consolidated statement of changes in equity
for the year ended 30 June 2016

GROUP	Stated capital R'000	Share-based payment reserve R'000	Foreign currency translation reserve R'000
Balance at 30 June 2014 (Audited)	945 436	–	–
Transactions with owners of the Company recognised directly in equity			
Issue of shares	1 092 485	–	–
Dividend paid	–	–	–
Share-based payment transactions	–	1 074	–
Total comprehensive income for the year	–	–	9 223
Profit for the period	–	–	–
Exchange differences on translation of foreign operations	–	–	9 223
Balance at 30 June 2015 (Audited)	2 037 921	1 074	9 223
Transactions with owners of the Company recognised directly in equity			
Issue of shares (net of share issue expenses)	960 568	–	–
Dividend paid	–	–	–

Treasury shares acquired	(91 566)	–	–
Total comprehensive income for the year	–	–	(111 802)
Profit for the year	–	–	–
Exchange differences on translation of foreign operations	–	–	(111 802)
Balance at 30 June 2016 (Reviewed)	2 906 923	1 074	(102 579)

Group	Retained earnings R'000	Total R'000
Balance at 30 June 2014 (Audited)	646 880	1 592 316
Transactions with owners of the Company recognised directly in equity		
Issue of shares	–	1 092 485
Dividend paid	(166 003)	(166 003)
Share-based payment transactions	–	1 074
Total comprehensive income for the year	351 904	361 127
Profit for the period	351 904	351 904
Exchange differences on translation of foreign operations	–	9 223
Balance at 30 June 2015 (Audited)	832 781	2 880 999
Transactions with owners of the Company recognised directly in equity		
Issue of shares (net of share issue expenses)	–	960 568
Dividend paid	(367 767)	(367 767)
Treasury shares acquired	–	(91 566)
Total comprehensive income for the year	323 892	212 090
Profit for the year	323 892	323 892
Exchange differences on translation of foreign operations	–	(111 802)
Balance at 30 June 2016 (Reviewed)	788 906	3 594 324

Segmental analysis
at 30 June 2016

	South Africa			
	Office R'000	Retail R'000	Industrial R'000	Total R'000
2016				
Extracts from the statement of comprehensive income				
Investment property income	369 239	46 563	46 610	462 412

Property expenses	(128 961)	(19 862)	(20 116)	(168 939)
Segmental result	240 278	26 701	26 494	293 473
Extracts from the statement of financial position				
Investment property	2 606 180	467 744	316 017	3 389 941
Property, plant and equipment	10 902	5	23	10 930
Investment property held-for-sale	133 000	–	–	133 000
Property at valuation	2 750 082	467 749	316 040	3 533 871
2015				
Extracts from the statement of comprehensive income				
Investment property income	334 942	33 058	24 750	392 750
Property expenses	(103 550)	(12 145)	(10 742)	(126 437)
Segmental result	231 392	20 913	14 008	266 313
Extracts from the statement of financial position				
Investment property	2 762 023	305 289	289 243	3 356 555
Property, plant and equipment	8 301	3	18	8 322
Investment property held-for-sale	24 000	–	–	24 000
Property at valuation	2 794 324	305 292	289 261	3 388 877

	United Kingdom and Wales			
	Office R’000	Retail R’000	Industrial R’000	Total R’000
2016				
Extracts from the statement of comprehensive income				
Investment property income	56 096	22 326	20 528	98 950
Property expenses	(1 538)	(756)	(288)	(2 582)
Segmental result	54 558	21 570	20 240	96 368
Extracts from the statement of financial position				
Investment property	654 652	414 786	531 535	1 600 973
Property, plant and equipment	–	–	–	
Investment property held-for-sale	–	–	–	–

Property at valuation	654 652	414 786	531 535	1 600 973
2015				
Extracts from the statement of comprehensive income				
Investment property income	6 928	808	695	8 431
Property expenses	(640)	(125)	(67)	(832)
Segmental result	6 288	683	628	7 599
Extracts from the statement of financial position				
Investment property	573 805	186 865	29 160	789 830
Property, plant and equipment	–	–	–	–
Investment property held-for-sale	–	–	–	–
Property at valuation	573 805	186 865	29 160	789 830

		Total		
	Office R'000	Retail R'000	Industrial R'000	Total R'000
2016				
Extracts from the statement of comprehensive income				
Investment property income	425 335	68 889	67 138	561 362
Property expenses	(130 499)	(20 618)	(20 404)	(171 521)
Segmental result	294 836	48 271	46 734	389 841
Extracts from the statement of financial position				
Investment property	3 260 832	882 530	847 552	4 990 914
Property, plant and equipment	10 902	5	23	10 930
Investment property held-for-sale	133 000	–	–	133 000
Property at valuation	3 404 734	882 535	847 575	5 134 844
2015				
Extracts from the statement of comprehensive income				
Investment property income	341 870	33 866	25 445	401 181
Property expenses	(104 190)	(12 270)	(10 809)	(127 269)
Segmental result	237 680	21 596	14 636	273 912
Extracts from the				

statement of financial position				
Investment property	3 335 828	492 154	318 403	4 146 385
Property, plant and equipment	8 301	3	18	8 322
Investment property held-for-sale	24 000	-	-	24 000
Property at valuation	3 368 129	492 157	318 421	4 178 707

Commentary

Angelique de Rauville, acting CEO said:

The political landscapes in both the United Kingdom and South Africa have changed significantly during the course of the past few months. A vote for Brexit at the 23 June 2016 UK Referendum was unexpected and sent global markets into turmoil and the subsequent political fallout was unprecedented. The swift political response has resulted in some stability being returned. The recent 25 basis points cut in interest rates in the UK, has provided the market with some direction. Some uncertainty is expected to continue until Article 50 has been invoked and until the renegotiated trading terms with the rest of the European Union have been agreed.

Whilst most of Texton's UK debt is fixed, we have an element of sterling floating debt which will benefit from the decrease in UK interest rates. The Blend renegotiated UK deal has benefited from the stronger ZAR/weaker GBP and the lower cost of GBP debt funding. Post-Brexit we renegotiated the transaction which resulted in Texton acquiring two of the three preferred UK assets. We are not aware of any direct negative impact that Brexit will have on the Texton tenant base. Our leases are long, and our covenants are strong.

The political changes in South Africa are expected to have a positive impact on at least investor perception and possibly the economic future of South Africa in the long term. South Africa continues to face economic headwinds and Texton's SA legacy portfolio is challenging. Management is actively managing and trading the portfolio. The properties previously occupied by Vodacom and SITA created a material drag on earnings in the prior year. Both these have been sold post the reporting period. We are in the process of disposing a non-core portfolio of properties in a responsible manner, and over the course of the next year.

Key performance indicators

As communicated in last year's annual results announcement, Texton's strategy is focused around diversification of the portfolio both by sector and geographically, and management has continued to implement the strategy through various acquisitions in South Africa and the United Kingdom. Texton's international expansion is continuing and a number of deals have been concluded to acquire attractive assets with good-quality tenants and long-term leases. Acquisitions have been funded through debt, equity and proceeds generated from disposal of non-core assets. The equity raised during 2016 has resulted in the introduction of a number of new shareholders as well as increasing the percentage holding of some of our larger shareholders.

The introduction of a new executive team has enabled Texton to continue to execute on its solid pipeline whilst still actively managing the existing portfolio. The new executive team brings a wealth of experience and diversified skills to Texton, which will complement the business and position Texton well for the future.

Diversification across the sector and internationally is a strategy that Texton strongly supports and believes that in the long term, exposure to fewer, larger assets, with long-term leases in both South Africa and abroad will significantly improve the risk profile of the Company and deliver superior returns for its shareholders.

Texton's current portfolio split by value is 61,2% South Africa and 38,8% United Kingdom. Retail assets now comprise 13,9% by GLA and industrial 30,1% with office exposure down to 56,0%.

The vacancy rate (2016: 9,0% vs 2015: 7,9%) has increased mostly due to a large office vacancy. The Fund started the year with two material vacancies at Investment Place and Vodacom Park. Furthermore, the SITA lease at Perseus Park expired at 30 April 2016, increasing the total vacancy by 13 837m2. Management proactively marketed these vacant spaces but, due to minimal interest, decided to dispose of certain buildings. Post-year-end, Vodacom Park (5 101m2), Linga Longa (597m2) and Perseus Park (13 837m2) have been sold and once transferred, will reduce the overall Fund vacancy to 4,9%. The take-up of space at Investment Place is notable and the current vacancy stands at 15% (2015: 53,5%).

The weighted average lease expiry is 5,0 years (2015: 4,75 years).

In addition, we have improved our risk profile by reducing the concentration of our tenants. Our exposure to government has reduced to 12,5% of GLA (2015: 18,9%), and national and listed/large entities are currently 57,5% of GLA (2015: 49,9%).

Acquisitions
During the year the Group acquired six properties comprising two South African properties and four properties in the United Kingdom.

The South African properties acquire during the year were the following:
- On 18 January 2016 the Fund acquired a commercial building known as The Grid, situated at 45 De La Rey Road, Rivonia, Sandton. The gross lettable area measures 4 528m2 all of which is occupied by a single tenant on a 10 year triple-net lease. The purchase price was settled in cash.
- On 22 February 2016 the Fund acquired a retail building known as Golddurb, situated at 381 to 389 Dr Pixley Kaseme Street, Durban. The gross lettable area measures 13 640m2 which is let to various tenants on medium-term leases. The purchase price was settled in cash.

The United Kingdom properties acquired during the year were the following:
- On 1 July 2015 the fund acquired a 50% stake in a retail and commercial building known as Broad Street Mall, situated in the heart of Reading, England. The gross lettable area measures 37 832m2 of retail (30 961m2) and office (6 871m2) all of which is occupied by a multitude of tenants on medium to long-term leases.
- On 23 December 2015 the Fund acquired an industrial building known as Bawtry 270, situated in Doncaster, England. The gross lettable area measures 25 087m2 all of which is occupied by a single tenant on a long-term, triple-net lease. The purchase price was settled in cash.

- On 8 January 2016 the Fund acquired a retail building known as Camborne Retail Park, situated in Camborne, England. The gross lettable area measures 4 477m2 all of which is occupied by a single tenant on a long-term lease. The purchase price was settled in cash.
- On 4 February 2016 the Fund acquired two industrial buildings known as Caterpillar, situated in Peterlee, England. The total gross lettable area measures 10 030m2 all of which is occupied by a single tenant on a long-term, triple-net lease. The purchase price was settled in cash.

Broad-based black economic empowerment (BBBEE)
The management and board of the fund is committed to the transformation and empowerment objectives of South Africa, and have expended considerable effort in addressing our objective of having meaningful, sustainable and commercially driven BBBEE shareholding at the listed level.

The fund additionally recognises that integrating transformation into business practice is crucial for the sustainability of the Company and industry. As such, it was proud to sponsor several BBBEE workshops over the year, with the aim of achieving greater empowerment knowledge and commitment in the industry.

The 2016 financial year saw our two BBBEE partners remain invested in the Fund where they continue to contribute meaningfully to our business. The Texton Broad Based Proprietary Limited stake has been retained at 13,8%. PD Naidoo has a shareholding in the Company of 4,0% at year-end. These two parties control 17,8% of the issued share capital.

Our BBBEE partners comprise a combination of broad-based beneficiaries, black women and other well networked and respected business people, and Texton has and will continue to maintain a meaningful, sustainable and commercially driven black economic empowerment shareholding at the listed level. The Fund has achieved a Level 3 rating in 2016, and will continue to aim to remain one of the most empowered property funds listed on the exchange operated by the JSE Limited.

Greening
Greening is an important element of our business and the portfolio is constantly reviewed as part of Texton’s ongoing greening strategy. During the year, a smart metering initiative was approved, which is being rolled out across 33 properties within the portfolio, with completion expected by end August 2016.

Equity raised and shares repurchased
In the year under review 100 000 000 new shares were issued as part of a rights offer on 7 October 2015. The offer was made in a ratio of 36,22312 for every 100 Texton shares held. The shares were placed at an issue price of R9,86 per rights offer share.

The equity raised was used to acquire assets in both South Africa and the United Kingdom and was fully deployed during the 2016 financial year.

Post the rights issue, the total issued share capital increased from 276 066 766 to 376 066 766 at year-end. This includes 10 428 348 held in the share incentive trust, and whose shares are treated as treasury shares. In the current year the share trust followed its rights and subscribed for 1 345 463 shares as part of the rights offer at R9,86 per share and purchased an additional 439 843 shares at R8,50 per share.

In addition, 8 276 143 shares were repurchased in December 2015 at a price of R9,00 per share. These repurchased shares are also held as treasury shares.

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

The Group's investment properties were partially externally valued by independent valuers and partially internally valued. In terms of IAS 40: Investment Property and IFRS 7: Financial Instruments: Disclosure, investment properties are measured at fair value and are categorised as Level 3 investments. The revaluation of investment property requires judgement in the determination of future cash flows from leases and an appropriate capitalisation rate which varies between 8,5% and 10,69%. Changes in the capitalisation rate attributable to changes in market conditions can have a significant impact on property valuations. A 50 basis points increase in the capitalisation rate will decrease the value of investment property by R183,0 million. A 50 basis points decrease in the capitalisation rate will increase the value of investment property by R204,2 million. In terms of IAS 39: Financial Instruments: Recognition and Measurement and IFRS 7, the Group's currency and interest rate derivatives are measured at fair value through profit or loss and are categorised as Level 2. The fair value of the currency asset derivative was R132 million and the fair value of the interest rate liability derivative was R2,5 million. These fair values were determined using valuation techniques that present value the net cash flows. These cash flows are based on observable market data. There were no transfers between Levels 1, 2 and 3 during the year. The valuation methods applied are consistent with those applied in preparing the previous consolidated financial statements.

The carrying value of all other financial assets and liabilities approximate their fair value.

The new standards and interpretations that become effective during the year have had no material effect on the results for the year, nor has it required the restatement of any prior year figures. The condensed consolidated financial statements information has been presented on the historical cost basis, except for financial instruments and investment properties carried at fair value, and is presented in South African Rand which is the Company's functional currency, rounded to the nearest thousand. Ms Brigitte De Bruyn, Texton's Chief Financial Officer and Financial Director, was responsible for the preparation of these condensed consolidated financial statements.

Review of financial statements
The Group's auditors KPMG Inc. have reviewed the condensed consolidated preliminary financial statements for the year ended 30 June 2016. The review was conducted in accordance with ISRE 2410: Review of interim financial information performed by the independent auditor of the entity. A copy of their unmodified review report dated 29 August 2016 is available for inspection at the Company's registered office.

The auditor's report does not necessarily report on all of the information contained in these 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 issuer's registered office.

Business combinations
During the year the Group acquired six properties comprising two South African properties and 4 properties in the United Kingdom. These were as follows:

Details	Location	Transfer date	Acquisition price R'000	GLA m2	Yield %	Rental escalation %
Bawtry 270	Doncaster, UK	23 December 2015	392 938	25 087	6,45	2,00
Camborne Retail Park	Camborne, UK	8 January 2016	235 700	4 477	6,40	2,50
The Grid	Sandton, SA	18 January 2016	105 601	4 528	8,64	8,00
Caterpillar	Peterlee, UK	4 February 2016	178 617	10 030	7,54	1,75
Golddurb	Durban, SA	22 February 2016	190 446	13 640	9,05	7,20

	South Africa R'000	United Kingdom and Wales R'000	Total R'000
Purchase price	296 047	807 255	1 103 302
Net assets acquired			
Investment property	296 047	807 255	1 103 302
Net assets acquired	296 047	807 255	1 103 302
Cash acquired	-	-	-
Net cash outflow	296 047	807 255	1 103 302
Revenue since acquisition	11 906	24 127	36 033
Revenue for the full year	28 967	50 152	79 119
Profit since acqusition	11 681	1 970	13 651
Full year profit	30 218	3 183	33 401

Stated capital
There are 376 066 766 ordinary shares of no par value in issue (2015:

276 066 766). The Group accounts for 10 428 348 shares which were issued to the staff incentive scheme trust and 8 276 143 shares held as treasury shares. The Company's share structure is in line with international best practice for REITs.

Impairment of Goodwill

Goodwill of R77 million was paid on the acquisition of a portfolio of properties in the prior year as a result of the opportunity to acquire the portfolio in an off-market share transaction. The properties in question have been revalued during the current year and the directors are satisfied that the premium paid is now reflected in the fair value of the properties in question. The goodwill paid on the acquisition of the properties in the prior year has consequently been impaired.

Borrowings

At 30 June 2016 the Fund had a loan-to-value ratio of 37,2% (2015: 38,8%). The calculation of loan to value was based on interest-bearing borrowings included in other financial liabilities (excluding the fair value of the interest rate swaps) of R1 912 million (2015: R1 617 million) and the value of investment property, excluding Broad Street Mall, of R5 135 million (2015: R4 170 million). The Fund remains capitalised to take advantage of yield-enhancing acquisitions. The Fund has an average cost of debt of 9,41% on its South African debt at 3,58% on its United Kingdom debt.

Debt maturities profile

		Drawn down		Total
	Facility R'000	Fixed R'000	Floating R'000	Total drawn down R'000
South Africa				
FY 2017	300 000	–	299 309	299 309
FY 2018	285 326	–	285 326	285 326
FY 2020	715 000	–	377 361	377 361
	1 300 326	–	961 996	961 996
UK				
FY 2018	534 011	–	532 046	532 046
FY 2020	418 088	–	418 088	418 088
	952 099	–	950 134	950 134
Total	2 252 425	–	1 912 130	1 912 130

Interest rate swap maturity profile

Expiry	R'000	Nominal rate %
14 December 2016	150 000	7,26
22 March 2017	103 000	7,12
22 March 2017	102 000	7,12
17 July 2017	200 000	7,12
11 February 2019	170 000	8,05
11 February 2019	100 000	8,29
Total	825 000	

Currency swap

Expiry	R’000	Gpb’000	We receive %	We pay %
08/12/2020	350 560	16 000	11,0	3,818
21/12/2020	102 269	4 525	11,0	3,638
04/01/2021	239 065	10 421	11,0	3,688
18/01/2021	180 628	7 564	11,0	3,448
Total	872 522	38 510		

Property and asset management

Texton has an external asset management company namely, Texton Property Investments Proprietary Limited (TPI), that manages the Fund in terms of the asset management agreement concluded between the parties. Day-to-day management and operational functions are performed by the executive management team of Texton, who are employees of TPI. The executive management team of Texton interact regularly with the TPI shareholders through regular meetings, and service-level agreements. The roles of TPI shareholders, executive management and Texton directors are clearly defined and specific responsibilities and committees including key deliverables and performance criteria are well documented and covered in the service-level agreements.

The shareholders of the outsourced asset management company bring considerable knowledge, skill, expertise, networks and pipeline to Texton and we believe that Texton, at this stage of its lifecycle, continues to derive significant benefit from the outsourced arrangement it has with the management company.

Management of Texton has recently received queries from shareholders and other stakeholders regarding the potential internalisation of the asset management function of Texton (Manco Internalisation). Pursuant to the above, of the Manco Internalisation is something that each of the board of directors of Texton and TPI consider on a regular basis.

With effect 1 January 2016 Kuper Legh Property Management (KLPM) assumed full property management responsibility over the South African property portfolio. Argo Real Estate Limited and Moorgarth Holdings Limited manage Texton’s portfolio of assets in the United Kingdom. Texton’s property managers are responsible for daily property operations such as leasing, invoicing of tenants, debt collection, maintenance, tenant interaction, financial administration, and the management of relationships with third-party service providers and local government. Texton’s property managers have a proven track record with a long and successful history in managing Texton’s portfolio of properties and funds in the listed property space.

Events after the reporting date

Acquisition of the portfolio referred to as the Blend Portfolio

Shareholders are referred to the announcement released on SENS on 27 May 2016 (the Initial Announcement) relating to the acquisition of two property portfolios in South Africa and in the United Kingdom (collectively, the Blend portfolio) and the subsequent announcement released on SENS on 17 August 2016.

Texton renegotiated with the vendors of the Blend Portfolio, due to prevailing market conditions and agreed terms to acquire four of the original nine properties contained in the Initial Announcement.

The revised United Kingdom transaction consists of Heapham Road, located in Gainsborough, UK and Mowbray House, located in Nottingham Road, UK and was valued at £16,157 million (R290,13 million). The revised South African transaction consists of 16 Skeen Boulevard, located in Bedfordview, South Africa and 18 Skeen Boulevard, located in Bedfordview, South Africa and was valued at R98,69 million. The portfolios represent a yield of 7,29% in UK (previously 6,95%) and 9,3% in SA (previously 9,6%).

The total purchase consideration of the revised portfolio of R378,04 million (Purchase Consideration), is R88,34 million lower than the initial purchase consideration of the properties contained in the Revised Portfolio due to favourable currency movements since the Initial Announcement date.

The Purchase Consideration is payable in cash and will be funded through a combination of new debt facilities and cash proceeds generated from the sale of non-core properties. Texton did not raise equity to fund any of the Purchase Consideration.

The United Kingdom properties transferred on 17 August 2016 and the South African properties are expected to transfer within the next three months.

The acquisition of the Revised Portfolio constitutes a category 2 transaction in terms of the JSE Listings Requirements and, accordingly, does not require approval by shareholders.

Executive Management and Director changes

Angelique de Rauville has agreed to extend her contract as acting Chief Executive Officer until 31 December 2016. Nic Morris will assume the role of Managing Director from 1 September 2016 and will fulfil the permanent role of Chief Executive Officer from 1 January 2017. Angelique will remain involved in the business post 1 January 2017 focusing on the United Kingdom business where she is based. Angelique remains the Chief Executive Officer of Texton's management company being Texton Property Investments Proprietary Limited.

In compliance with paragraph 3,59 of the Listings Requirements of JSE Limited, the board of directors of Texton (the Board) hereby notifies its shareholders of the following changes:

Ms Portia Tau-Sekati (lead independent) and Mr Thando Sishuba (independent non-executive Director) have resigned from the board of Texton with effect 25 August 2016. As a consequence Ms Tau-Sekati is no longer chair of the remuneration and nomination committee nor member of the Social and Ethics committee, Mr Sishuba is no longer a member of the Audit and Risk Committee nor the Investment Committee. In addition Mr John Macey has resigned as a member of the Investment Committee but remains as a Director and Chair of the Audit and Risk Committee. The Board would like to thank Ms Tau-Sekati and Mr Sishuba for their meaningful contribution to Texton during their tenure, and Mr Macey for his contribution to the Investment Committee. The company will address the appointment of a new lead independent director in due course to ensure compliance with King III and the JSE Limited's Listings Requirements.

Prospects

2016 has been a significant year of achievement for Texton. We have recruited a top-calibre team of professionals into the business, substantially improved operational processes and efficiencies, and made significant progress in business restructuring. We have continued to deliver on our strategy and we have progressed on a plan to dispose of non-core properties and acquire those that improve the overall quality of our fund and which are mostly accretive. We remain committed to this strategy. With almost 40% of our portfolio by value being based in the United Kingdom our earnings may be subject to the volatility of the Rand however hedging instruments are being considered to mitigate risk associated with income. We continue to hedge a significant component of our capital.

Assuming some stability in markets, management remains of the view that we shall continue to deliver top-quartile distribution growth on a like-for-like basis and from a vastly improved portfolio of properties - including a reduced government exposure, reduced secondary South African office exposure, the disposal of non-performing assets providing no income and a balanced portfolio of assets across the two geographic jurisdictions where management has a proven track record, experience and footprint.

Cash dividend

Notice is hereby given of the declaration of the final dividend number 11 of 52,16 cents per share for the final six-month period to 30 June 2016, bringing the total dividend for the year ended 30 June 2016 to 103,68 cents per share (2015: 94,77). The dividend has been declared from income reserves.

Texton's income tax reference number: 9353785158.
Issued shares as at 29 August 2016: 376 066 766.

Salient dates

Dividend declaration date	29 August 2016
Last date to trade	27 September 2016
Shares trade ex-dividend	28 September 2016
Record date	30 September 2016
Payment date	3 October 2016

Share certificates may not be dematerialised or rematerialised between 28 September 2016 and 30 September 2016, both dates inclusive.

An announcement informing shareholders of the tax treatment of the dividends will be released on SENS on 29 August 2016.

On behalf of the board

PD Naidoo	AN de Rauville
Chairman	Acting Chief Executive Officer

29 August 2016

Board of directors

PD Naidoo (Chairman), AN Du Hecquet de Rauville (Acting Chief Executive Officer), B de Bruyn (Financial Director – appointed 1 November 2015), NV Balfour, KR Collins (alternate – appointed 3 November 2015), JA Legh, JR Macey, N Morris (Chief Operating Officer – appointed 1 January 2016), P Ntshalintshali (appointed 1 March 2016), PM Tau-Sekati (Lead independent) (resigned 25 August 2016), TS Sishuba (resigned 25 August 2016), KN Vundla, MJ van Heerden, JD Wiese (appointed 3 November 2015).

Corporate information

Company registration number: 2005/019302/06
Company Secretary: CIS Company Secretaries Proprietary Limited
Sponsor: Investec Bank Limited
Transfer secretary: Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg, 2001
Physical and registered address: Block C, Investment Place, 10th Road, Hyde Park, 2196
Postal address: PO Box 41394, Craighall Park, 2024

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