INTEGRATED ANNUAL REPORT

for the year ended June 2015

DIVERSIFICATION FOR **GROWTH**

OFFICE

RETAIL

INDUSTRIAL

TEXTON

PROPERTY FUND

HIGHLIGHTS

94,77 cents
distribution per share
(2014: 85,47)
up 10,9%

Share price
980 cents

Net asset value
1 077,32 cents per share
(2014: 993,89 cents per share)
up 8,4%

R401,2 million
investment property income
(2014: R271,8 million)
up 47,6%

R283,5 million
net property income
(2014: R184 million)
up 54,1%

7,9%
vacancy
(2014: 5,3%)

R4,179 billion
portfolio value
(2014: R2 234 billion)
up 87,1%

349 051m²
of gross lettable area
(2014: 190 116m²)
up 83,6%

CONTENTS

ABOUT THIS REPORT

Reporting approach

Texton applied the principle of materiality to determine the content of this report. Matters that, in the board's opinion, have the potential to substantially affect the Company's ability to create value in the short, medium and long term have been taken into account in order to illustrate Texton's strategic responses to material risks and opportunities in its operating environment.

Scope of report

Our 2015 integrated annual report combines financial and non-financial information for the financial year ended 30 June 2015 for a fuller understanding of the Group's performance.

This integrated annual report includes the financial and non-financial performance of Texton, its subsidiaries and controlled trust. The scope of reporting on non-financial performance is indicated in the detail of the report.

Company reporting standards are continually being developed to make our disclosure more meaningful and measurable for stakeholders.

Forward-looking statements

Certain statements in this report are 'forward-looking' in that they involve inherent risks and uncertainties. Should one or more of these risks materialise, or should the underlying assumptions prove incorrect, actual results may be different from those anticipated. Forward-looking statements apply only as of the date on which they are made, and Texton does not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

Board responsibility

The Texton board and its committees are ultimately responsible for overseeing the integrity and completeness of the integrated annual report. The board confirms that it has collectively reviewed the report's contents, and that to the best of its knowledge the report addresses Texton's material issues and presents fairly the integrated performance of the organisation and the impact on its stakeholders. The board has approved Texton's integrated report for 2015.

Request for feedback

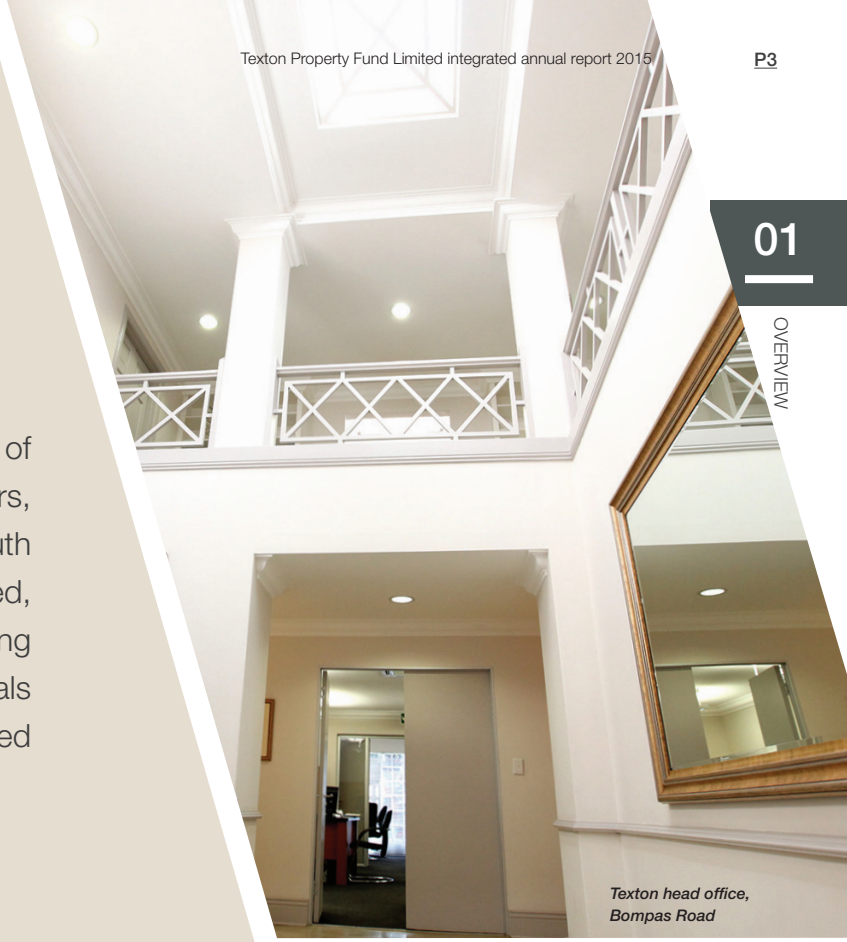
Your feedback on the contents and presentation of this integrated report is welcomed, and will assist us in improving the quality and relevance of future reports. Stakeholders are encouraged to contact admin@texton.co.za.

Reporting structure

	Integrated report	Annual financial statements
Contents and connectivity of information	• Organisational overview and operating environment, including business model, strategy, and extent of operations • Material matters pertaining to operations, including material risks and operating context • Abridged corporate governance report and report on activities of committees	• Directors' report • Independent auditor's report (KPMG) • Full consolidated annual financial statements
Frameworks and guidelines applied	• Integrated Reporting framework • The revised King Code of Governance Principles for South Africa (King III)	• International Financial Reporting Standards (IFRS) • South African Companies Act, 71 of 2008 (Companies Act) • JSE Listings Requirements
Assurance *We have used a combined assurance model to ensure the integrity and accuracy of our integrated report. The combined assurance model employed a combination of assurance obtained from management, our internal audit function, and our external auditors.*	• Executive management oversight • Audit and risk committee oversight • Board oversight and approval • B-BBEE contributor levels verified by EmpowerLogic Proprietary Limited	• Independent external audit • Internal audit function • Internal controls • Management and governance oversight and approval

VISION

Texton aims to be the property investment of choice for local and international investors, providing a platform for exposure to a South African and international portfolio of diversified, quality assets that provide attractive and growing income, managed by a team of professionals who provide a quality product to our most valued tenants.



Texton head office, Bompas Road

MISSION

- To conduct our business with integrity
- To deliver on results to shareholders
- To respect our tenants and clients as our most valuable assets
- To be responsible corporate citizens
- To be a transparent, sustainable investment

HISTORY

2015 Group reaches **R4,2 billion** and includes retail, industrial assets and investments in the United Kingdom

2014 **Management company is sold** to Texton Property Investments

2013 Texton's portfolio of secondary South African offices **grows to R1,8 billion**

2011 **Texton listed on JSE** with a total value of **R943 million**

2006 **Texton formed** by Vunani Limited

OVERVIEW OF THE BUSINESS AND OPERATING ENVIRONMENT

Business structure

Texton Property Fund (TPF or Texton or the Company or the Group or the Fund) is a property holding and investment company formed to invest directly in income-producing properties that offer attractive income and capital appreciation. Texton aims to be a geographic and sectoral diverse property fund focused on niche markets in South Africa, the United Kingdom and other markets in which it has a depth of experience, knowledge and track record. Texton is governed by the listings requirements of the JSE, the Companies Act, King III and International Financial Reporting Standards (IFRS).

TPF

Directly held assets:

1. Alrode
2. Babcock (ex Nungu)
3. Bompas Road (ex Investage)
4. Bryanston Gate Office Park
5. Eastsands (ex Sable)
6. Edcon
7. Electron (ex Sable)
8. Elsecar (ex Sable)
9. Foretrust Building
10. Greenstone Office Park
    Greenstone Building 2
    Greenstone Building 6
    Greenstone Office Park Building 9
11. Hermanstad (ex Investage)
12. Lion Roars
13. Loop Street
14. Mabe Business Park
15. Prairie (ex Sable)
16. Quintiles
17. Rivonia Business Centre
18. Scott Street
19. Selby
20. St George's Mall
21. Verona (ex Sable)
22. Vunani Office Park
23. Wellington Road
24. Westsands (ex Sable)
25. Woodmead (lease ceded to TPF – ex Imperial)
26. Xstrata Building

VPIT

27. ACS House
28. Belvedere Place
29. Benstra Building
30. Investment Place
31. Linga Longa
32. Murrayfield Forum
33. Parthenon Park
34. Perseus Park
35. Rynlal Building
36. Standard Bank Harrismith
37. Standard Bank Ladysmith
38. Standard Bank Private Bank
39. Standard Bank Randburg
40. Standard Bank Springs
41. Standard Bank Stanger
42. Standard Bank Upington
43. Vodacom Park
44. Vunani Chambers

DISCUS

45. Kempstar Mall

INVESTAGE

46. Blue Strata

IMPERIAL

SABLE

NUNGU TRADING

GLADSTONE

47. Talk Talk

HEDDON

48. Booker

CHOBE

49. Tesco

CHEVELON

50. Bonmarché/Poundland

ZEYA

51. Dunelm

INCEPTION READING

52. Broad Street

Future operating context: predictions and responses

	1	2
Predicted environmental factor	The global real estate universe will continue to expand, leading to an expansion in opportunities.	Fast-growing cities will present a wider range of risk and return opportunities.
Texton's position	Texton has adopted an expansive strategy geared towards diversification. 'Front-foot' reponsiveness and decisive expansion in a timely manner will result in opportunities being capitalised on.	Texton continues to be outward-looking and committed to investing in a diverse range of opportunities in core real estate within markets that provide an attractive investment landscape.

Operating model

The Company follows an outsourced asset management and property management service model. It is believed that this is still the best model as significant value is being extracted out of the management company by the Group. Further, the structure allows the property managers to focus more on the operational management of the properties, while the Fund managers are focused on strategic initiatives, acquisitions and disposals involving the Fund.

The Company is managed externally by Texton Property Investments Proprietary Limited (TPI) in terms of an asset management agreement concluded between the parties. Day-to-day management and operational functions are performed by employees of TPI. The Company has no employees or personnel of its own. The relationship is managed through management meetings, daily contact and service-level agreements specifying responsibilities and committees that determine key deliverables and performance criteria.

The property managers, JHI and Kuper Legh Property Management (KLPM), 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 within South Africa. With recent acquisitions in the United Kingdom Texton appointed Argo Real Estate Limited who also have a history of managing the properties that were acquired.

Operating context and responses

The Group has performed well since inception in 2006. Its portfolio size, quality and income has grown consistently. Despite a difficult economic climate, the portfolio performed well over the past year, and management is committed to performing in line with the sector in the next financial year. Texton will continue to focus on its strategy of growing the Fund with yield-enhancing assets without compromising quality.

Importantly, the new management structure has enabled the executive team to grow and diversify materially. The effect of this can be seen in the exposure beyond the office sector, the roll-out of the international strategy and the significant increase in acquisitions. In addition, the management team has greatly increased property skills and deal-making abilities. The pipeline is stronger than it has been since listing.

It is common knowledge that the office sector in South Africa, particularly the secondary market, is struggling – so some diversification is prudent. Texton revised its strategy to improve the quality of the portfolio and reduce risk through diversification. Texton has delivered on its strategy by investing into the United Kingdom and into the retail and industrial sectors. Texton believes that such diversification will improve the profile and add value to its shareholders in the long term.

2015 has been a year of change for the Company, most of which is considered to be positive for the long-term prospects of the Company. Management is confident that the year ahead will be a year of consolidation, improved operational efficiencies, diversification and overall improvement for the Company.

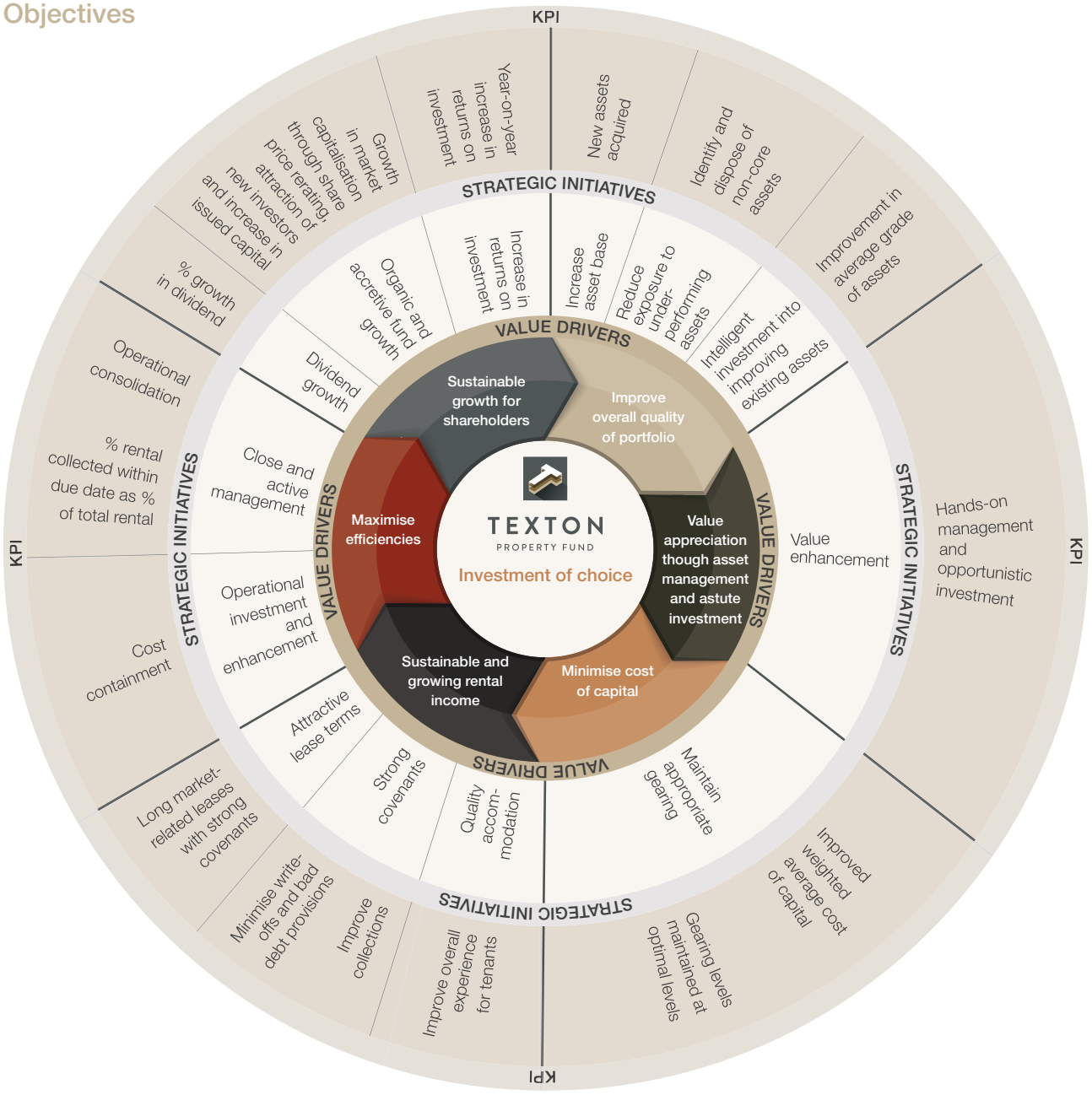
Texton appreciates that in order to perform well it needs to understand and be responsive to the external environment. Texton does not work in isolation – it is part of an industry, a community, and a market that all need to be considered in order to make the best decisions for the long-term sustainability of the business.

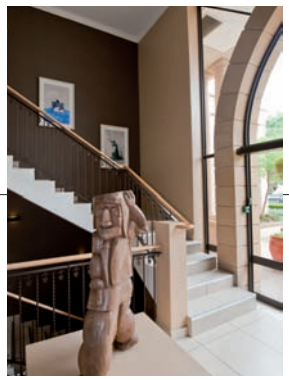
3 Technology innovation and sustainability will be key drivers of value.	4 Collaborating with governments will continue to be important.	5 A broader range of risks will emerge.
Texton continues to provide a platform to encourage innovation and creative responses.	Texton continues to value stakeholder relationships and to cultivate linkages to government and regulators.	Texton is developing robust and significant internal risk-management controls.

STRATEGY

Texton's strategy is proposed by the management company to the board, who deliberate, stress-test and contribute to it before it is ratified and implemented. The overall objective of the Company is to grow its asset base, by investing in well-priced, income and quality enhancing investment properties, to optimise returns over time for shareholders – in short, to become 'the investment of choice'.

Objectives

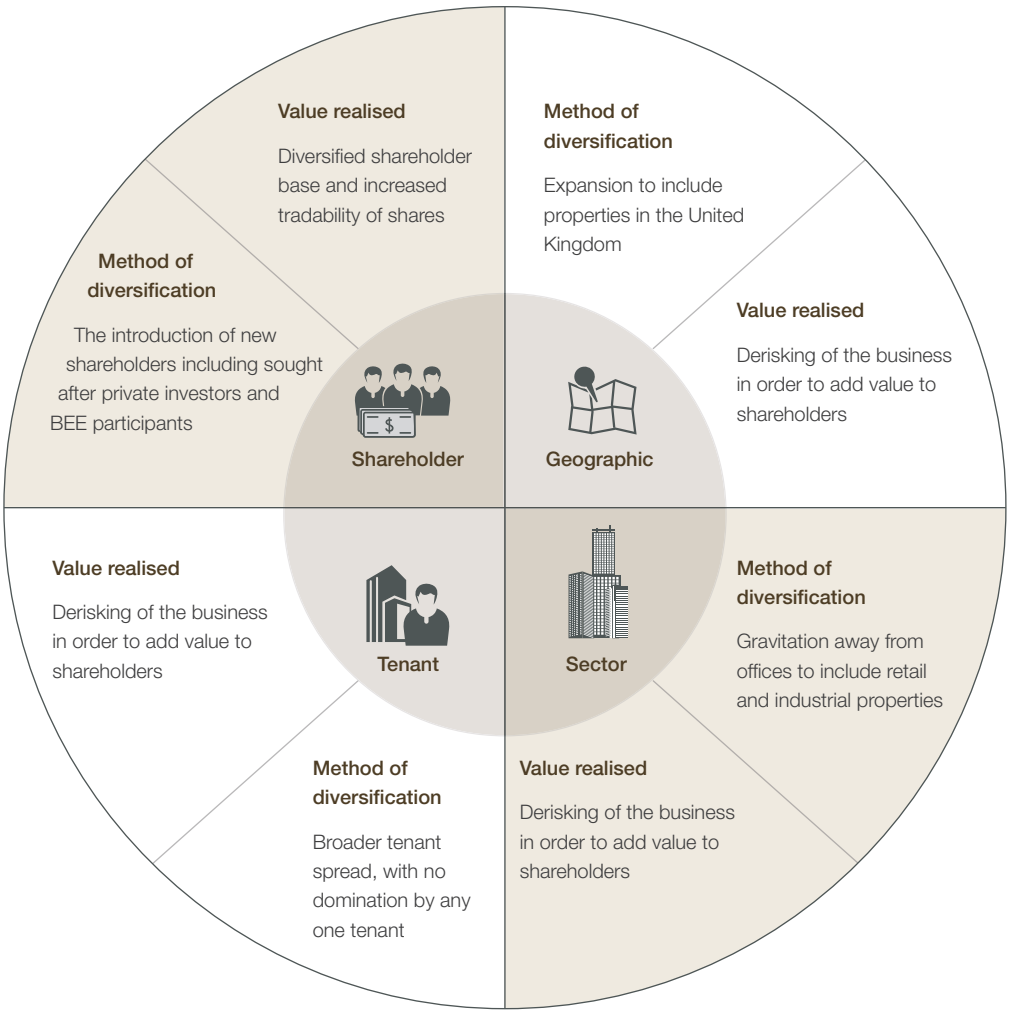




Standard Bank Hyde Park Commercial offices finished to a premium grade standard. The excellent location and profile of the building ensures a high demand for the space

Texton has adopted a strategy that focuses on diversification in order to maximise the growth in value for its stakeholders. Diversification serves to limit risk and enhance the consistency of returns, which ensures that investors are best able to meet their investment performance objectives.

Diversification for growth



OUR OPERATIONAL FOOTPRINT

331 679m²

Total m² owned by Texton in South Africa

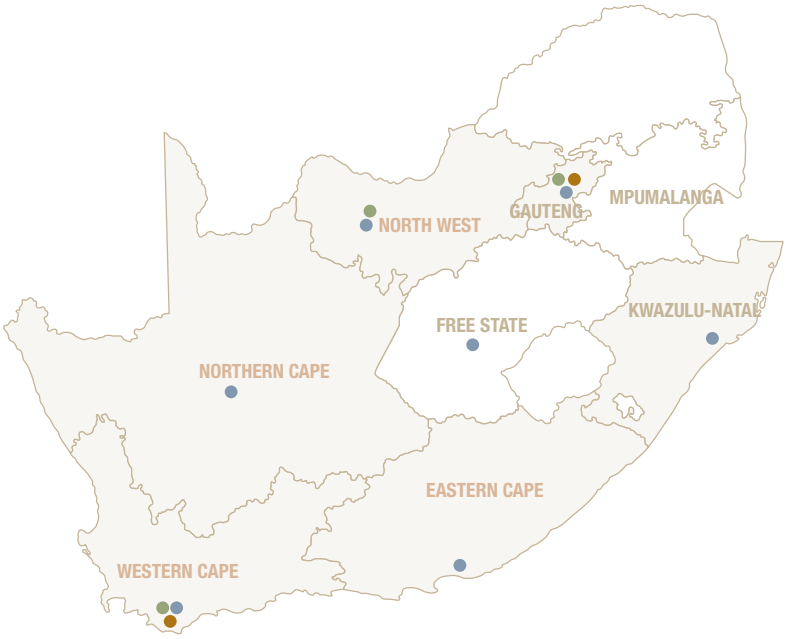
Properties 46*

- 7 National/government
- 23 Large/listed
- 16 Other

24 Prime business locations

30 Prime properties at 100% occupancy

*Excludes Brickfield which is held for sale.



Gauteng

Property	Occupancy	Office space
ACS House	100%	1 743m²
Alrode	100%	16 557m²
Babcock Building	100%	3 865m²
Belvedere	97%	10 873m²
Benstra Building	100%	7 818m²
Blue Strata House	100%	1 806m²
Bompas Road	100%	750m²
Bryanston Gate	94%	16 652m²
Edcon	100%	27 472m²
Greenstone Hill Office Park	81%	19 493m²
Hermanstad	89%	44 029m²
Investment Place	47%	6 301m²
Kempstar Mall	100%	6 019m²
Linga Longa	100%	597m²
Murrayfield Forum	94%	1 417m²
Parthenon Park	97%	4 454m²
Perseus Park	100%	13 837m²
Rivonia Business Centre	100%	4 886m²
Rynlal Building	86%	5 881m²
Scott Street	100%	4 329m²
Standard Bank Hyde Park	100%	2 038m²
Standard Bank Randburg	95%	8 144m²
Standard Bank Springs	100%	1 916m²
Toolquip, Selby	100%	10 419m²
Vodacom Park	0%	5 101m²
Vunani Office Park	80%	8 621m²
Wellington Road	100%	10 019m²
Woodmead Commercial Park	94%	13 196m²
15 Ampere Close	100%	1 252m²
15 Vervoer Street	100%	1 363m²
21 Staal Street	100%	2 325m²
23 Staal Street	100%	3 933m²
64 Vervoer Street	71%	2 853m²
330 Ampere Street	100%	1 183m²

National/government
Large/listed
Other

Free State

Property	Occupancy	Office space
Quintiles	100%	3 404m²

Cape regions

Property	Occupancy	Office space
Brickfield*	100%	5 251m²
Foretrust	92%	26 349m²
Lion Roars (EC)	100%	4 117m²
Standard Bank Upington (NC)	100%	1 181m²
St. George's Mall (WC)	100%	1 236m²
Vunani Chambers	98%	6 981m²
14 Loop Street	100%	2 323m²

North West and KZN

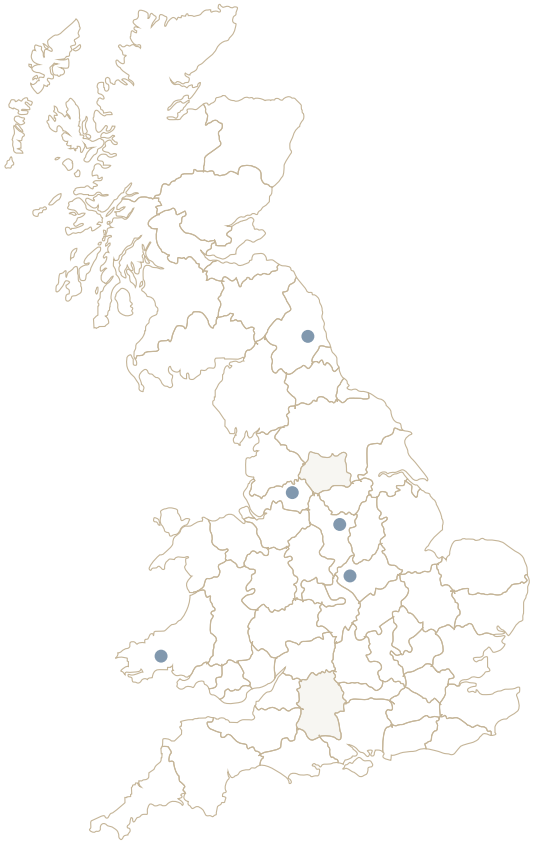
Property	Occupancy	Office space
Mabe Park (NW)	100%	1 642m²
Standard Bank Harrismith	100%	1 086m²
Standard Bank Ladysmith	96%	1 994m²
Standard Bank Stanger	100%	1 253m²
Xstrata Building (NW)	100%	3 720m²

** Brickfield was held for sale and transferred in July 2015.*

Five properties were acquired in the UK in the 2015 financial year. Post the reporting date Texton concluded a significant transaction to acquire Broad Street Mall in Reading, UK, in a 50% partnership with Tradehold. Texton's physical presence in the UK provides a clear competitive advantage and the Group is leveraging off its expertise and experience in the region.

22 623m²
Total m² owned by Texton in the UK

TEXTON
PROPERTY FUND



The UK has favourable economic and property fundamentals. GDP is stable and growing, and inflation is contained. The country provides a low and stable interest rate environment, and a positive spread between the cost of funding and yields.

Having surpassed the strategic objective of having 25% of the portfolio concentrated in the UK, the target has been revised upwards to 50% as a long-term objective of the Group.

United Kingdom

Property	Occupancy	Office space
Bonmarché/Poundland	100%	2 601m²
Booker Warehouse	100%	3 826m²
Parc Pensarn	100%	1 783m²
Stanford House	100%	5 090m²
Tesco Bank	100%	9 323m²

Properties
5

5 Large/listed

5 Prime business locations

5 Prime properties at 100% occupancy

CHAIRMAN'S REPORT

Texton continued to make progress on its objective of delivering sustained and positive performance for its shareholders this financial year.

Pragalathan Naidoo
Chairman

Texton is committed to delivering long-term distribution and capital growth and has continued to make progress on its objective of delivering sustained and positive performance for its shareholders this financial year. The Company has undertaken earnings enhancing acquisitions and disposals, while our asset management activities continue to bear fruit with the focus on the quality of our tenants, tenant retentions, vacancies and lease renewals.

Texton is progressing with its strategy of diversifying the business, both geographically and sectorally. Geographically we are branching out to the UK. We are diversifying beyond offices where we believe there is a lag relative to the industrial and retail sectors. This financial year saw the acquisition of just under R2 billion worth of properties with a substantial portion of those being in the UK.

The Company drew on the expertise and knowledge of the expanded executive team for our diversification strategy. Post year-end the Company acquired Broad Street Mall in Reading, England in a 50/50 joint venture (JV) with a subsidiary of Tradehold Limited. Our JV partners are well known to us and have a similar investment strategy in the UK.

Notwithstanding the above, the past year has not been easy with regard to executive resignations. After five years at Texton, Rob Kane and Marelise de Lange, our previous Chief Executive Officer (CEO) and Chief Financial Officer (CFO) respectively, resigned to make way for new leadership and the next growth phase of the Company. Unrelated to this, Lyndon Kan, the Chief Operations Officer (COO) and Andrew Glencross, Chief Investment Officer (CIO) also resigned to set up their own property investment and advisory company. We are in advanced stages regarding the recruitment of a new COO and CFO.

I am glad to say that the appointments of Angelique de Rauville and Annie Stapelberg as CEO and CFO respectively bring substantial experience and continuity. Angelique, in addition to her role in the management company, TPI, has committed to being CEO for a year, where after the situation will be reviewed. Annie is on a fixed term contract until February 2016. Additionally, our very capable senior management team has successfully overseen ongoing operations. This speaks volumes that the Company has maintained stability in its leadership during this time. Succession planning and transformation remain key topics of discussion at board meetings.

The last financial year saw the establishment of an employee share scheme to align management's interests with those of shareholders. We also concluded a R443,5 million BEE transaction with a consortium of BEE shareholders funded by the PIC. Empowerment was a particular priority for the Group and I am delighted that this has now been successfully delivered.

We have an unremitting commitment to invest in educational programmes as part of our CSI initiatives. You can see the details of our investments in the last year on page 37.

Our focus is on growing the value of the business and distribution growth through the blend of internationalisation and asset management. We currently have a healthy pipeline of opportunities. I am encouraged that with the quality of our assets and people we are in a good place to deliver asset and distribution growth.

On behalf of the board, I would like to thank all our employees and many other stakeholders for their hard work and support. Thank you. Additionally, personally, I would like to express my appreciation to my fellow board members for their counsel. This has been invaluable on many occasions throughout the year.

PD Naidoo
Chairman

CEO'S REPORT

Diversification has been the dominant theme of the Group in the last year and will drive the Fund to greater asset value and distribution growth.

Angelique de Rauville
CEO

Until recently Texton was predominately an office sector fund, investing in A- and B-grade properties in South Africa. A change in ownership of the management company in early 2014 brought a new set of skills, expertise and experience with the primary objective of diversifying the Fund away from the lagging secondary office market. After careful consideration, the decision was reached to invest into the industrial and retail sectors to provide a greater balance and diversification of risk and to take advantage of value adding opportunities across all sectors. In addition, the extensive experience of the new management company in the UK was a key consideration in the strategy to diversify into the UK and internationally.

Five properties were acquired in the UK in the last financial year. This didn't include the significant post balance sheet acquisition of an asset in Reading in a 50% collaboration with Tradehold. Our physical presence in the UK provides us with a clear competitive advantage whereby we can leverage our expertise, experience and presence in this region.

We have delivered on our strategy to diversify geographically and sectorally and have made successful inroads into both the retail and industrial sectors in both South Africa and the United Kingdom. While offices are not precluded from our investment opportunities we have seen good value in both the retail and industrial sectors.

The UK has favourable economic and property fundamentals. GDP is stable and growing and inflation is contained. The country provides a low and stable interest rate environment and a positive spread between the cost of funding and yields.

Our objective was to have 25% of the portfolio in the UK by the end of the financial year. That target was surpassed and the long-term objective has been increased to 50%. Furthermore the pipeline of deals in the UK makes it probable that the new target will be achieved. We continue to see attractive opportunities in South Africa mainly as a result of the network of people and experience that we have in the country.

Texton has a conservative approach to funding. The loan to value ratio was 38,8% (refer note 36.1) at year-end and the Group has a target gearing ratio of 40%, of which the policy is to fix 70%. We believe this represents the most efficient level of funding and employment of capital. Funding costs were considerably reduced over the year by repaying South African debt and leveraging the SA balance sheet to raise debt in pound sterling. The weighted average cost of Texton's South African debt was 7.85% and 3.497% on its UK debt at year-end.

The contribution of previous management is recognised for the significant value they extracted from legacy properties. However, due to the change in strategy many of these assets have become non-core to the portfolio and will be disposed of in a responsible manner for which there is a significant market. Asset management plans have been developed to extract additional value, the benefits of which have been reduced vacancies and increased rentals.

We remain committed to diversifying our shareholder base which should improve our tradability and benefit the performance of our share price. In this regard, two BEE transactions were concluded with our BEE partners, who now represent 17,8% of our total shares in issue. A noteworthy addition to the shareholder register, in addition to the two BEE transactions, was Luna Group (which forms part of the Dr Christo Wiese group of companies). A staff share scheme was created to align the Texton teams' interests with that of shareholders and provide an appropriate incentive mechanism for rewarding and retaining good performers.

Texton remains committed to delivering attractive returns for its shareholders and anticipates producing distribution growth in line with the sector in the next financial year. We intend to move towards being a company that achieves its growth organically through good acquisitions, prudent investment into existing assets, disposal of non-core assets, tight operational control and hands-on asset management.

I would like to thank numerous stakeholders for their support during a significant year that was characterised by many changes. The management company, shareholder and director support has been notable in what has been a challenging year. Shareholder interests are paramount to all decisions made by management and directors and we believe that the business is positioned to become a successful, credible and diversified South African listed property fund.

Angelique de Rauville
Chief executive officer

PROPERTY PORTFOLIO

RECENT ACQUISITIONS

Newcastle-upon-Tyne – Tesco Bank

Major tenant: Tesco Bank
Occupancy: 100%
GLA: 9 323m²
Acquisition date: May 2015

Property value: £18,9 million

Good quality A-grade modern specification over three floors providing 9 323m² of flexible floor plates arranged in an 'L' shape. A prominent building located in the Quorum Business Park, which is considered to be one of the best office parks in the Newcastle-upon-Tyne area with excellent transport links.

Free State – Quintiles

Major tenant: Quintiles
Occupancy: 100%
GLA: 3 404m²
Acquisition date: September 2014

Property value: R53 million

The property is a multi-storey office block that presents itself attractively in the Bloemfontein CBD. Bloemfontein has enjoyed steady growth over a sustained period and its central location in South Africa is of geographic advantage that the provincial government is exploiting via the expansion of the N8 freight corridor from Kimberley to Lesotho, thereby stimulating estate development all along the corridor.

Gauteng – Woodmead Commercial Park

Major tenants: Marshall Music, Solomon Cycles, SA Furmart
Occupancy: 94%
GLA: 13 196m²
Acquisition date: December 2014

Property value: R148,2 million

Well located with excellent exposure to the M1 freeway. Sound retail node with a good tenant mix.

Hermanstad – Kuper Legh Industrial Park

Major tenants: Defy SA, Metrofile, Steiner, Bidvest, Fair Discounters
Occupancy: 89,9%
GLA: 44 029m²
Acquisition date: December 2014

Property value: R138,7 million

Kuper Legh Industrial Park is situated in the heart of the Hermanstad industrial area. Located just off Es'kia Mphahlele Drive, in close proximity to the R80, Van der Hoff Road and the R101. The park provides a safe and secure environment with access control and 24 hour security on site. Units range from 350 – 7 000m².

Kempton Park – Kempstar Mall

Major tenants: Cambridge Food, KFC, Old Mutual, FNB
Occupancy: 100%
GLA: 6 019m²
Acquisition date: December 2014

Property value: R108,9 million

Well located retail centre, situated at the main entrance to Kempton Park station. The property is the main thoroughfare for all train and taxi commuters to this area.

Gauteng – Edcon

Major tenant: Edcon
Occupancy: 100%
GLA: 27 472m²
Acquisition date: October 2014

Property value: R161,5 million

The building houses Edcon (Edgars) Head Office and Call Centre with 8,5 years to run on the triple net lease. The building is a multi-storey office block located in the Johannesburg CBD. Internally, the specification is A-grade.

Warrington, England – Stanford House

Major tenant: Talk Talk
Occupancy: 100%
GLA: 5 090m²
Acquisition date: February 2015

Property value: R239,9 million

Enhanced two-storey office building, fully refurbished in 2003. The tenant is Talk Talk, a very strong covenant on a long-term lease. The property is strategically located in a strong commercial node.

Gauteng – Scott Street

Major tenants: Mott MacDonald, PDNA
Occupancy: 100%
GLA: 4 329m²
Acquisition date: September 2014

Property value: R110 million

The building is four storeys high, two of which are basement parking. The architecture and finishes are commensurate with an A-grade office block. External finishes are a combination of glass, plaster panels, slate and a variety of natural stone.

PORTFOLIO

PROFILE ON GLA

No	Property name	Grade	Tenant/s	Blue chip tenants	GLA	Vacancy	Vacancy %	Vacancy		
								Office	Retail	Industrial
VPIT										
1	ACS House	A	Associated Computer Solutions	50%	1 743		0,00%			
2	Belvedere	A	Aegis Global, Callforce, Hatch Goba	57%	10 873	356	3,27%	356		
3	Investment Place	A	Pam Golding, Alliance Media	34%	6 301	3 372	53,51%	3 372		
4	Linga Longa	A	The Sands	0%	597		0,00%			
5	Vodacom Park	A	Vacant	0%	5 101	5 101	100,00%	5 101		
6	Perseus Park	B	State Information Technology (SITA)	100%	13 837		0,00%			
7	Rynlal	B	Delta Built Environment, Hillside Tavern	33%	5 881	814	13,84%	814		
8	Parthenon Park	B	Impala Platinum, Total SA	47%	4 454	147	3,29%	147		
9	Murrayfield Forum	B	Murrayfield Vleismark, Rubida Laundry	6%	1 417	90	6,33%		90	
10	Standard Bank Harrismith	A	Standard Bank	100%	1 086		0,00%			
11	Standard Bank Ladysmith	A	Standard Bank	96%	1 994	71	3,56%		71	
12	Standard Bank Hyde Park	A	Standard Bank	100%	2 038		0,00%			
13	Standard Bank Stanger	B	Standard Bank	100%	1 253		0,00%			
14	Standard Bank Upington	A	Standard Bank	100%	1 181		0,00%			
15	Standard Bank Randburg	B	Standard Bank, Wood Group, Nelson Borman	37%	8 144	379	4,66%	379		
16	Standard Bank Springs	B	Standard Bank	84%	1 916		0,00%			
17	Vunani Chambers	A	Vunani Capital, City of Cape Town	75%	6 981	116	1,66%	116		
18	Benstra	B	The Compensation Fund, Medscheme Holdings	98%	7 818		0,00%			
TPF										
19	Greenstone Hill Office Park	A	Lanxess, Senet, IRBA, DHL, UTI, Wasteman, Hudaco, Mylan, Airline Association, Tourvest	60%	19 493	3 754	19,26%	3 754		
20	14 Loop Street	A	Government of RSA	100%	2 323		0,00%			
21	Vunani Office Park	A	ABSA, Hyphen (FNB), Vunani Limited	74%	8 621	1 741	20,19%	1 741		
22	Mabe Park	A	Dept of Health, Dept of Social Development	0%	1 642	1 642	100,00%	1 642		
23	Xstrata	A	Xstrata, Maizey, Xylem	72%	3 720		0,00%			
24	Lion Roars	A	Aurecon, The Government of SA	82%	4 117	737	18,30%	737		
25	Foretrust	A	Dept of Environment Affairs and Tourism	90%	26 349	2 112	7,89%	2 112		
26	Rivonia Business Centre	A	The Business Centre	100%	4 886		0,00%			
27	Wellington Road	A	Transnet	100%	10 019		0,00%			
28	Bryanston Gate	A	Primary Asset Administration, City Lodge, Twincare Group	64%	16 652	987	5,92%	987		
29	Toolquip, Selby	B	Toolquip	100%	10 419		0,00%			
30	Quintiles	A	Quintiles, ClinderPharm	100%	3 404		0,00%			
31	Scott Street	A	PDNA Mott MacDonald	100%	4 329		0,00%			
32	St George's Mall	B	PDNA Mott MacDonald	100%	1 236		0,00%			
33	Edcon	B	Edcon Call Centre	90%	27 472		0,00%			
34	Alrode	B	Bobcat, Stewarts & Lloyds	90%	16 557		0,00%			
35	Brickfield	B	J Ryan Proprietary Limited	100%	5 251		0,00%			

** Weighted average lease expiry*

	Tenant retention	Sector			Geographic spread									WALE*
		Office	Retail	Industrial	Gauteng	KZN	NP	WC	EC	NWP	FS	England	Wales	
	100%	1 743			1 743									4,25
	100%	10 873			10 873									2,32
	100%	6 301			6 301									2,17
	100%		597		597									1,08
	0%	5 101			5 101									0,00
	100%	13 837			13 837									0,61
	95%	5 881			5 882									2,71
	99%	2 933	1 521		4 454									6,07
	76%	581	837		1 417									1,86
	100%	1 086				1 086								1,50
	96%	1 634	360			1 994								2,48
	0%	2 038			2 038									4,17
	100%	1 253				1 253								2,50
	100%	1 181					1 181							0,08
	69%	8 144			8 144									4,09
	100%	1 606	310		1 916									2,64
	94%	6 273	708					6 981						0,23
	100%	7 818			7 818									1,84
	63%	19 493			19 493									4,09
	100%	2 323						2 323						1,42
	88%	8 621			8 621									1,85
	0%	1 642								1 642				0,00
	100%	3 720								3 720				1,43
	100%	4 117							4 117					3,15
	98%	26 349						26 349						2,42
	100%	4 886			4 886									7,42
	100%	10 019			10 019									5,00
	94%	16 652			16 652									3,70
	100%			10 419	10 419									6,08
	100%	3 404									3 404			4,25
	100%	4 329			4 329									2,25
	100%	1 236						1 236						2,25
	100%	27 472			27 472									7,58
	100%			16 557	16 557									3,57
		5 251						5 251						

PORTFOLIO continued

PROFILE ON GLA continued

No	Property name	Grade	Tenant/s	Blue chip tenants	GLA	Vacancy	Vacancy %	Vacancy		
								Office	Retail	Industrial
SUBSIDIARIES										
36	Babcock Bedfordview	A	Babcock	100%	3 865		0,00%			
37	54 Bompas Road	A	Kuper Legh Property Group, Texton	0%	750		0,00%			
38	Blue Strata	A	Blue Strata Trading	100%	1 806		0,00%			
39	Hermanstad Industrial Park	A	Defy, Fair Discounters, Metrofile	58%	44 029	4 640	10,54%			4 640
40	Kempstar Mall	B	Cambridge Food, Old Mutual, FNB	60%	6 019		0,00%			
41	Woodmead Commercial Park	A	Marshall Music, Solomon Cycles, SA Furmart	33%	13 196	742	5,62%		742	
42	15 Ampere Close	B	Rug Doctor, Aquality Plumbing	0%	1 252		0,00%			
43	15 Vervoer Street	B	Seko Southern Africa, Immuno-Vet	0%	1 363		0,00%			
44	21 Staal Street	B	Silver Diamond Manufacturing	0%	2 325		0,00%			
45	23 Staal Street	B	Eggtech	26%	3 933		0,00%			
46	64 Vervoer Street	B	Tean Investments, Sujon	0%	2 853	816	28,60%			816
47	330 Ampere Street	B	Classic Roasts, CME Consultants	0%	1 183		0,00%			
UK PORTFOLIO										
48	Heddon	B	Booker	100%	3 826		0,00%			
49	Gladstone	A	Talk Talk	100%	5 090		0,00%			
50	Chevelon	A	BonMarché/Poundland	100%	2 601		0,00%			
51	Chobe	A	Tesco Bank	100%	9 323		0,00%			
52	Zeya	A	Dunelm	100%	1 783		0,00%			
					354 302	**27 617**	**7,91%**	**21 258**	**903**	**5 456**

** Weighted average lease expiry*

	Tenant retention	Sector			Geographic spread									WALE*
		Office	Retail	Industrial	Gauteng	KZN	NP	WC	EC	NWP	FS	England	Wales	
	100%	3 865			3 865									4,00
	100%	750			750									3,92
	100%	1 806			1 806									3,17
	94%			44 029	44 029									3,44
	100%		6 019		6 019									7,65
	82%		13 196		13 196									2,33
	24%			1 252	1 252									2,17
	25%			1 363	1 363									1,51
	83%			2 325	2 325									1,90
	57%			3 933	3 933									2,40
	50%			2 853	2 853									2,14
	45%			1 183	1 183									1,48
	100%			3 826								3 826		9,83
	100%	5 090										5 090		10,44
	100%		2 601									2 601		12,47
	100%	9 323										9 323		9,32
	100%		1 783										1 783	14,29
		238 651	**27 911**	**87 740**	**271 142**	**4 333**	**1 181**	**42 140**	**4 117**	**5 362**	**3 404**	**20 840**	**1 783**	

PORTFOLIO continued

PROFILES ON VALUE

No	Property name	Tenant/s	Book value per 2015 valuation	Value per m²	Sector (based on value)	
					Office	Retail
VPIT						
1	ACS House	Associated Computer Solutions	16 500 000	9 466	16 500 000	
2	Belvedere	Aegis Global, Callforce, Hatch Goba	117 200 000	10 779	117 200 000	
3	Investment Place	Pam Golding, Alliance Media	80 000 000	12 696	80 000 000	
4	Linga Longa	The Sands	7 500 000	12 563		7 500 000
5	Vodacom	Vacant	140 000 000	27 446	140 000 000	
6	Perseus Park	State Information Technology (SITA)	175 700 000	12 698	175 700 000	
7	Rynlal	Delta Built Environment, Hillside Tavern	44 000 000	7 482	44 000 000	
8	Parthenon Park	Impala Platinum, Total SA	44 175 000	9 918	29 089 238	15 085 762
9	Murrayfield	Murrayfield Vleismark, Rubida Laundry	7 750 000	5 469	3 177 500	4 572 500
10	Standard Bank Harrismith	Standard Bank	8 500 000	7 827	8 500 000	
11	Standard Bank Ladysmith	Standard Bank	14 500 000	7 272	11 882 750	2 617 250
12	Standard Bank Hyde Park	Standard Bank	39 500 000	19 381	39 500 000	
13	Standard Bank Stanger	Standard Bank	11 500 000	9 178	11 500 000	
14	Standard Bank Upington	Standard Bank	11 750 000	9 949	11 750 000	
15	Standard Bank Randburg	Standard Bank, Wood Group, Nelson Borman	45 000 000	5 526	45 000 000	
16	Standard Bank Springs	Standard Bank	12 900 000	6 733	10 812 780	2 087 220
17	Vunani Chambers	Vunani Capital, City of Cape Town	54 050 000	7 741	48 569 330	5 480 670
18	Benstra	The Compensation Fund, Medscheme Holdings	75 000 000	9 593	75 000 000	
TPF						
19	Greenstone Hill Office Park	Lanxess, Senet, IRBA, DHL, UTI, Wasteman, Hudaco, Mylan, Airline Association, Tourvest	314 902 000	16 155	314 902 000	
20	14 Loop Street	Government of RSA	41 000 000	17 650	41 000 000	
21	Vunani Office Park	ABSA, Hyphen (FNB), Vunani Limited	128 050 000	14 853	128 050 000	
22	Mabe Park	Dept of Health, Dept of Social Development	26 000 000	15 834	26 000 000	
23	Xstrata	Xstrata, Maizey, Xylem	38 000 000	10 215	38 000 000	
24	Lion Roars	Aurecon, The Government of SA	52 500 000	12 752	52 500 000	
25	Foretrust	Dept of Environment Affairs and Tourism	385 500 000	14 631	385 500 000	
26	Rivonia Business Centre	The Business Centre	90 000 000	18 420	90 000 000	
27	Wellington Road	Transnet	152 000 000	15 171	152 000 000	
28	Bryanston Gate	Primary Asset Administration, City Lodge, Twincare Group	200 000 000	12 011	200 000 000	
29	Toolquip, Selby	Toolquip	56 100 000	5 384	56 100 000	
30	Quintiles	Quintiles, ClinderPharm	53 000 000	15 570	53 000 000	
31	Scott Street	PDNA Mott MacDonald	110 000 000	25 410	110 000 000	
32	St George's Mall	PDNA Mott MacDonald	23 300 000	18 851	23 300 000	
33	Edcon	Edcon Call Centre	161 500 000	5 879	161 500 000	
34	Alrode	Bobcat, Stewarts & Lloyds	52 100 000	3 147	52 100 000	
35	Brickfield	J Ryan Proprietary Limited	24 000 000	4 571	24 000 000	

	Sector (based on value)	Geographic spread								
	Industrial	Gauteng	KZN	NP	WC	EC	NWP	FS	England	Wales
		16 500 000								
		117 200 000								
		80 000 000								
		7 500 000								
		140 000 000								
		175 700 000								
		44 000 000								
		44 175 000								
		7 750 000								
			8 500 000							
			14 500 000							
		39 500 000								
			11 500 000							
				11 750 000						
		45 000 000								
		12 900 000								
					54 050 000					
		75 000 000								
		314 902 000								
					41 000 000					
		128 050 000								
							26 000 000			
							38 000 000			
						52 500 000				
					385 500 000					
		90 000 000								
		152 000 000								
		200 000 000								
	56 100 000	56 100 000								
								53 000 000		
		110 000 000								
					23 300 000					
		161 500 000								
	52 100 000	52 100 000								
					24 000 000					

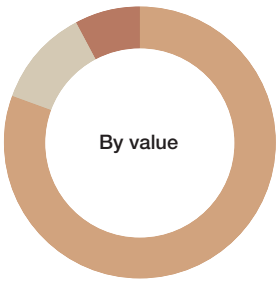
PORTFOLIO continued

PROFILES ON VALUE continued

No	Property name	Tenant/s	Book value per 2015 valuation	Value per m²	Sector (based on value)	
					Office	Retail
SUBSIDIARIES						
36	Babcock Bedfordview	Babcock	52 000 000	13 454	52 000 000	
37	54 Bompas Road	Kuper Legh Property Group	11 000 000	14 667	11 000 000	
38	Blue Strata	Blue Strata Trading	38 550 000	21 346	38 550 000	
39	Hermanstad Industrial Park	Defy, Fair Discounters, Metrofile	138 700 000	3 150		
40	Kempstar Mall	Cambridge Food, Old Mutual, FNB	108 850 000	18 084		108 850 000
41	Woodmead Commercial Park	Marshall Music, Solomon Cycles, SA Furmart	148 171 000	11 228		148 171 000
42	15 Ampere Close	Rug Doctor, Aquality Plumbing	5 500 000	4 393		
43	15 Vervoer Street	Seko Southern Africa, Immuno-Vet	4 300 000	3 155		
44	21 Staal Street	Silver Diamond Manufacturing	8 600 000	3 699		
45	23 Staal Street	Eggtech	9 900 000	2 517		
46	64 Vervoer Street	Tean Investments, Sujon	9 650 000	3 382		
47	330 Ampere Street	Classic Roasts, CME Consultants	4 100 000	3 466		
UK PORTFOLIO						
48	Heddon	Booker	31 302 000	8 181		
49	Gladstone	Talk Talk	239 908 000	47 133	239 908 000	
50	Chevelon	BonMarché/Poundland	133 829 000	51 453		133 829 000
51	Chobe	Tesco Bank	361 603 000	38 786	361 603 000	
52	Zeya	Dunelm	59 267 000	33 240		59 267 000
			4 178 707 000	**11 794**	**3 370 994 598**	**487 460 402**

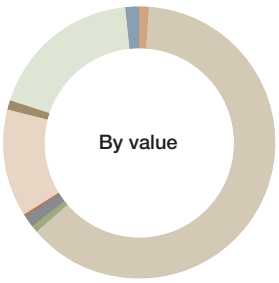
SUMMARY

Sector spread (%)



- Office 80,7%
- Retail 11,6%
- Industrial 7,7%

Geographic spread (%)

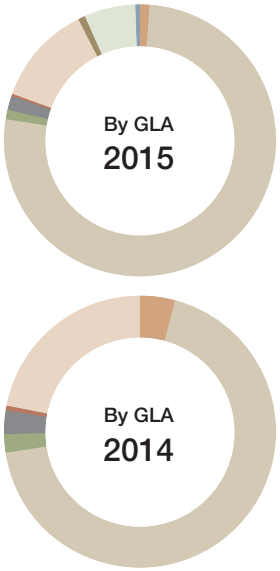


- Eastern Cape 1,3%
- Gauteng 62,4%
- KwaZulu-Natal 0,8%
- North West 1,5%
- Northern Cape 0,3%
- Western Cape 12,6%
- Free State 1,3%
- England 18,3%
- Wales 1,5%

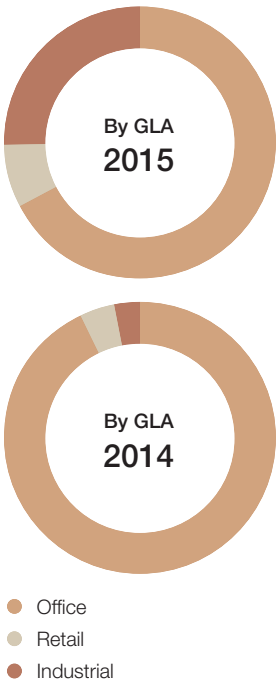
	Sector (based on value)	Geographic spread								
	Industrial	Gauteng	KZN	NP	WC	EC	NWP	FS	England	Wales
		52 000 000								
		11 000 000								
		38 550 000								
	138 700 000	138 700 000								
		108 850 000								
		148 171 000								
	5 500 000	5 500 000								
	4 300 000	4 300 000								
	8 600 000	8 600 000								
	9 900 000	9 900 000								
	9 650 000	9 650 000								
	4 100 000	4 100 000								
	31 302 000								31 302 000	
									239 908 000	
									133 829 000	
									361 603 000	
										59 267 000
	320 252 000	**2 609 198 000**	**34 500 000**	**11 750 000**	**527 850 000**	**52 500 000**	**64 000 000**	**53 000 000**	**766 642 000**	**59 267 000**

PORTFOLIO continued

Geographic profile



Sector profile



Summary profiles

Geographic profile

	GLA m²	GLA %
30 June 2015		
Eastern Cape	**4 117**	**1,2**
Gauteng	**271 142**	**76,4**
KwaZulu-Natal	**4 333**	**1,2**
North West	**5 362**	**1,5**
Northern Cape	**1 181**	**0,3**
Western Cape*	**36 889**	**12,0**
Free State	**3 404**	**1,0**
England	**20 840**	**5,9**
Wales	**1 783**	**0,5**
	349 051	**100,0**
30 June 2014		
Eastern Cape	8 102	4,3
Gauteng	129 803	68,3
KwaZulu-Natal	4 333	2,3
North West	5 362	2,8
Northern Cape	1 181	0,6
Western Cape	41 336	21,7
	190 116	100,0

Sector profile

	GLA m²	GLA %
30 June 2015		
Office*	**235 160**	**67,4**
Retail	**26 149**	**7,5**
Industrial	**87 742**	**25,1**
	349 051	**100,0**
30 June 2014		
Office	176 548	92,9
Retail	8 317	4,3
Industrial	5 251	2,8
	190 116	100,0

** Excluding Brickfield (5 251m²) that was held for sale and transferred in July 2015.*

Tenant spread

	Rentable area m²	Rentable area %
30 June 2015		
National	**23 951**	**6,9**
Government	**66 009**	**18,9**
Listed/large entities	**150 220**	**43,0**
Other*	**81 255**	**23,3**
Vacant	**27 616**	**7,9**
	349 051	**100,0**
30 June 2014		
National	23 572	12,4
Government	65 790	34,6
Listed/large entities	47 152	24,8
Other	43 592	22,9
Vacant	10 010	5,3
	190 116	100,0

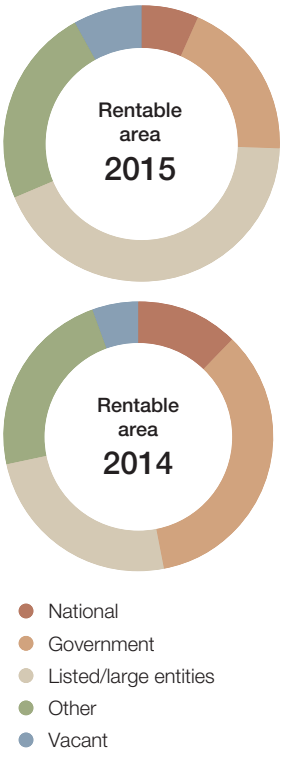
Tenants are classified as follows:

Large national tenants, large listed tenants, government and major franchises

National tenants, listed tenants, franchises and medium to large professional firms

Other includes all tenants not referred to above.

Tenant spread (%)



Vacancy profile

	30 June 2015		30 June 2014	
	Rentable area m²	Rentable area %	Rentable area m²	Rentable area %
Office*	**21 257**	**6,0**	9 780	5,2
Retail	**903**	**0,3**	230	0,1
Industrial	**5 456**	**1,6**	–	–
	27 616	**7,9**	10 010	5,3

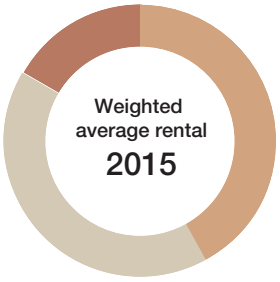
Lease expiry profile per annum

	2015	2016	2017	2018	>2018
30 June 2015					
Rentable area (%)	**7,9**	**21,9**	**14,5**	**19,9**	**35,8**
Revenue (%)	**–**	**18,6**	**27,3**	**15,2**	**38,9**

** Excluding Brickfield which was fully let but held for sale and transferred in July 2015. If Brickfield were included total vacancy would have been 6,8%.*

PORTFOLIO continued

Sector profile (%)



- Office
- Retail
- Industrial

Reconciliation of change in GLA of the Group

	Total GLA at 30 June 2015 m²	Net increase in GLA m²	Total GLA at 30 June 2014 m²
Office	**235 160**	58 612	176 548
Retail	**26 149**	17 832	8 317
Industrial	**87 742**	82 491	5 251
Total	**349 051**	158 935	190 116

Sector profile

	Weighted average rental m²	Weighted average rental escalation %
30 June 2015		
Office	**131,2**	**7,68**
Retail	**129,6**	**5,16**
Industrial	**51,5**	**7,62**
Total	**111,3**	**6,10**

GOVERNANCE

THE BOARD

● Executive ● Independent non-executive directors ● Non-executive directors

Executive directors

Angelique Norma Du Hecquet de Rauville (Angelique de Rauville) (41)

Chief executive officer

BSocSc

Angelique's career in property commenced in 1998 when she co-founded Provest Management Proprietary Limited (Provest), a South African listed property asset management company. She was appointed managing director of the company in May 2001. In March 2003, Provest was acquired by the Investec Group. Angelique's responsibilities within the Investec Group spanned specialist property corporate and advisory services, institutional and retail products investing into both direct property and property equities. With effect 1 September 2007, Angelique assumed the role of heading Investec's Global Property Investments business, driven out of Investec's London office. Angelique was an executive director of Investec Property Limited in South Africa and member of Investec Bank Plc's executive general management forum in the United Kingdom. She was founder of the specialist property investments business, Handful of Keys Proprietary Limited, which led a consortium in the buyout of Texton's management company in 2014. She assumed the role of chief executive officer of Texton on 5 June 2015.

Independent non-executive directors

John Russell Macey (53)

Chairperson of the audit and risk committee

BBusSci (Hons), BCom (Hons), CA(SA)

John studied at UCT and completed his articles with Deloitte in 1991. Since leaving Deloitte he has gained eight years of experience as CFO to manufacturing companies. He was also a staff member of the now College of Accounting at UCT for nine years, leaving as a tenured member of staff in 2009 to start his own advisory business. He is a qualified chartered accountant and serves on the boards and audit committees of three JSE-listed companies.

Portia Morwesi Tau-Sekati (45)

Lead independent director and chairperson of the remuneration and nominations committee

BA (Hons), PDM (Bus Ad), Board Leadership (Gibs), African Leadership (UNISA)

Portia is currently the CEO of The Property Sector Charter Council. She has worked in various public and private entities and has an extensive knowledge and is an expert in transformation as driven in the RSA by the B-BBEE framework. She also has extensive experience in dealing with and lobbying government. Previously she served as the CEO of the National Association of Real Estate Agencies. Portia's background is marketing and she has held senior marketing positions both locally and abroad in companies such as Thebe Investment Corporation, Roche Pharmaceuticals and Gillette Company.

Kyansambo Ntombi Vundla (37)

BCom (Accounting), HDip Acc, CA(SA)

Kyansambo is a chartered accountant (SA) and was CFO of Regiments Capital having previously held the position of CFO of Momentum Group Employee Benefits Division. She holds a number of directorships and memberships including chairperson of the audit and risk committee for the Estate Agency Affairs Board and she is also an independent non-executive director of Workforce Limited. Her previous memberships included audit and risk committee of the Bonitas Medical Aid Fund.

Nosiphiwo Vuyolwethu Balfour (32)

BSc Property Studies (Honours) (RICS), Postgraduate Diploma in Investment Analysis and Portfolio Management

Nosiphiwo's career in the property industry has spanned a decade. She commenced her career in 2005 at Standard Bank Property Finance involved in their portfolio of commercial-to-residential conversions. She later joined Investec Property Investments where she spent four years, initially as a property research analyst and thereafter also assumed client management responsibilities on retail and institutional products investing into listed property equities. In 2010, Nosiphiwo moved to Investec Asset Management where she was a sales manager in the business development team for their investment strategies. She was responsible for managing a number of significant relationships with retirement funds, investment consultants, State-Owned entities and public sector funds.

Nosiphiwo holds a number of directorships including that of Vice-Chairperson of the board of Communicare Social Housing NPC.

She completed a Bachelor of Science (Honours) degree in Property Studies at the University of Cape Town and a Post Graduate Diploma in Investment Analysis and Portfolio Management.

Audit and risk committee | Investment committee | Social and ethics committee | Remuneration and nominations committee

Thanduxolo Selby (Thando) Sishuba (43)

MSc in Property Investments (CASS Business School, UK), BSc (Hons) in Land Management (Reading University, UK)

Thando has 20 years of property experience, having served in various roles within the property industry (mainly as a Fund Manager at Old Mutual Properties and later as the MD of Shanduka Properties). Thando is currently the Head of Properties at Imperial Holdings and is a director of Catalyst Fund Managers South Africa and Pivotal Property Fund. He has previously served as a non-executive director of various listed property funds.

Non-executive directors

Pragalathan Dhanapalan (Dempsey) Naidoo (57)

Chairperson of the board of directors

BSc (Hons) Civil Engineering, Pr Eng

Dempsey is the founder and Executive Chairperson of PD Naidoo & Associates, a diversified consulting engineering group based in Johannesburg, which focuses mainly on infrastructure, mining and regeneration projects. Dempsey combines his engineering qualifications and experience with business and leadership acumen to develop and drive consistently successful major commercial undertakings, both in large corporate and professional environments.

John Alastair (Chick) Legh (64)

BA (Wits)

John Alastair (Chick) Legh has been operating in the South African property market since 1981, primarily as an owner/developer of commercial, industrial and retail properties. He is currently the Chairperson of Kuper Legh Property Group, which he started together with David Kuper in 1997. Prior to Kuper Legh, John was joint Managing Director and shareholder of BOE Properties Transvaal Limited. John's relationship with BOE lasted more than ten years and during this time Boardprop Limited was successfully listed in the property section of the JSE. In 2006 Kuper Legh merged their properties with Sanlam Properties to list the Vukile Property Fund Limited. Since 1980 John has also developed numerous up-market leisure properties that he currently owns and operates.

Mathys Johannes (Thys) van Heerden (51)

BCom (Hons) (Real Estate)

Thys has been involved in the property industry for over 25 years serving in different capacities. He commenced his career at Barprop Limited, a listed fund, moved to PPS as Senior Property Manager, and then went back to RMP/Barprop as Marketing Manager. He moved to Old Mutual when Barprop was delisted and acquired by Old Mutual as Senior Investment Analyst, and was eventually responsible for sales and acquisitions for Old Mutual Properties. He served there successfully for more than 10 years, until he was approached by John Legh to partner in the Kuper Legh venture, where he now is involved with major acquisitions and transactions. He has vast experience in property management, sales and acquisitions, valuations, large developments, direct property investment and deal-making.

Romeo Bob Makhubela (48)

BCom

Romeo Makhubela is an entrepreneur and founder of Zava African Holdings, a black-owned, managed and controlled investment holding company. Romeo is the former CEO of Vunani Fund Managers, having joined them from MMI Asset Management Business, where he was Head of Portfolio Management and Executive Director. He was previously Chief Investment Officer at Metropolitan Asset Managers responsible for asset allocation, portfolio construction and directing the firm's investment strategy. Prior to this role, Romeo was Senior Portfolio Manager at Stanlib within the multi-asset and core equity franchises.

Robert Fletcher Kane and **Marelise de Lange** resigned on 5 June 2015.

Lyndon Kan was appointed on 5 June 2015 and resigned on 9 July 2015.

CORPORATE GOVERNANCE

Transformation

The management and board of Texton continue to be committed to the transformation and empowerment objectives of South Africa, and have expended considerable effort in addressing our objective of having a meaningful, sustainable and commercially driven black economic empowerment shareholding.

Texton 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 BEE workshops over the year, with the aim of achieving greater commitment to, and knowledge of, empowerment in the industry.

Two BEE empowerment transactions were finalised in the 2015 financial year, representing a major achievement for the Group:

- PD Naidoo accepted shares in settlement for the sale of two of his properties to the Company, resulting in his becoming a 4,0% shareholder in the Company.
- Shares worth R443,5 million were issued to a BEE consortium represented by three entities: Zava African Capital (60%), Jade Capital Partners (30%), and the broad-based investment holding company, Ditikeni (10%). The transaction was financed by the Public Investment Corporation, and resulted in an increase in BEE shareholder representation of 13,8% to 17,8%.

Risk management

The board is responsible for the entire risk management process and the systems of internal control. A number of committees and forums assist in this regard. The strategic intent of our risk management process is to create an environment in which risk management is applied at a consistently high level across the Group, enabling the board to take informed decisions, achieve business objectives and maximise returns for linked shareholders.

Potential strategic risks are identified annually by the Group's executive team and audit and risk committee. The key risks are assessed in terms of their probability and their potential impact on the Group as well as steps that can be taken to mitigate each risk.

Report of the audit and risk committee

Please refer to the audit and risk committee report on page 46.

Risk table

The key strategic risks identified by the audit and risk committee are listed below, together with appropriate mitigation strategies.

Key risk identified	Potential impact	Severity of risk	Mitigation of potential risk
Category: Strategy			
Lack of direct strategy for a sustainable business	Inability of the Group to grow and to assess financial performance	L	Annual strategy session is held to review past performance and set new direction Monthly management meetings and quarterly board meetings are held
Slowdown in consumer spend	Slower retail sales growth affects retailers' financial positions and ability to pay rent Leases not renewed Discounted rentals to retain tenants Lower distributable income	M	Facilitate strong trading environment Sign strong lease agreements with financially sound tenants Diversify the portfolio across various sectors and geographic regions
Increased supply of space	Increased pressure on renewal rates Increased vacancies Lower rental growth Lower or no distribution growth	M	Meet tenant demand through extensions and tenant relocations Executive committee meets monthly to discuss operational performance
Lease renewals and tenant retention Significant volume of leases expiring in any one period	Inability to renew leases or retain tenants Negative rent reversion Negative impact on budgets Lower income distribution	M	Proactively manage lease expiries Maintain strong pipeline of prospective tenants Close engagement with tenants throughout their tenure
Low investment	Returns below expectations Default on shareholder funding	M	Ensure geographic diversification
Cost and supply of electricity and water	Prolonged periods of power outages Excessive increase in cost of occupancy	H	Numerous projects under way to reduce consumption Tenants guided on reducing electricity consumption
Maintaining a conservative debt profile	Inability to pursue investment opportunities	M	Maintain conservative gearing levels Ensure available funding to cover capital requirements Ensure diversified sources of funding
Shortage of skills	Strategy execution at risk	M	Set performance incentives, remuneration benchmarking, and personal development plans

L Low M Medium H High

Key risk identified	Potential impact	Severity of risk	Mitigation of potential risk
Category: Operations			
Non-compliance with policies and procedures	Loss of stakeholder confidence Fines and penalties to be imposed by the JSE	H	Policies apply to all employees, contractors, property managers, directors and any other representatives of the Group
Filing of soft and hard documentation not standardised	Potential loss of important documentation/files/information	H	Process to standardise filing
Fixed asset and IT registers not maintained	Property, plant and equipment (PPE) figures incorrectly stated Lack of physical control over fixed assets and IT equipment	M	Fixed asset and IT registers to be updated quarterly
Poor controls over delegation of authority, mandates and signing authorities	Unauthorised access to accounts Inability to establish isolation of responsibility	M	Functional and paper mandates for each role to be established and reviewed twice a year Delegation of authority to be approved by TPF board
Professional indemnity and insufficient insurance cover	Increased costs in the event of an unforeseen incident if not considered	M	Professionals appointed to the panel after consideration of their professional indemnity cover in relation to the deal size
Continuity plans not being correctly established/ documented	In the event of an incident, lack of a business continuity plan will delay the Group in returning to normal operations	H	An off-site operational location to be agreed A business continuity plan to be established and documented
Insufficient access controls over the masterfile	Unauthorised access and changes to the masterfile	H	A list of masterfiles and documents to be generated and updated
Trade document preservation and confidentiality	Confidential information being readily available to unauthorised persons	H	Awareness created with all new employees and existing staff Declarations to be signed bi-annually and recorded on file
Ineffective stakeholder management	Loss of stakeholder confidence	M	Regular engagement and active management of all stakeholders
IT or system failure	Loss of data Unauthorised access	M	Ensure staff have adequate and up-to-date IT hardware, software and system access
Security	Violence or theft	M	Ongoing surveillance of security environment
Category: Human resources			
Non-compliance with the Employment Equity Act	Fines and penalties can be incurred	L	Manage recruitment to ensure that BEE targets are met
Contracting of performance development programmes, key performance indicators and key performance areas	Operations and profitability of the Group	L	Performance development plans, with objectives, KPAs and KPIs set and reviewed by the management company
Insufficient/inappropriate resources being employed by the Group	Operations and profitability of the Group	M	Performance appraisal sessions, development and training plans are set
Succession planning	Increased business risk Alienation of potential internal successors Appointment of inexperienced successor Departure of executive directors and key executives Strategy execution at risk	H	Management to ensure that succession planning is in place to ensure all roles are adequately covered
Trading in TPF shares by TPI staff, TPF executive and non-executive directors	Potential conflict of interest	M	Management of TPF share trading during closed periods
Staff business not being declared	Potential conflicts of interest	L	Trading, business interests and conflict of interest declarations

CORPORATE GOVERNANCE continued

Key risk identified	Potential impact	Severity of risk	Mitigation of potential risk
Category: Investments/asset management			
Non-standardised procedures over the property acquisition process	Non-profitable acquisitions Loss of external stakeholder confidence	M	Submission of offer to purchase and due diligence to be standardised
Non-compliance with conditions precedent and conditions subsequent, sale agreement, debt funding agreement and exchange control	Legal issues Loss of funding Loss of stakeholder confidence	M	The asset manager to ensure that all conditions have been complied with before transfer of the asset
Tenant care and retention	Effect on operations and profitability	H	Regular and active engagement with tenant by property manager
Policies and procedures not being adopted over annual property review	Loss of competitive ability	H	A detailed property review of each asset under management to be undertaken annually
Policies and procedures not being adopted over annual property valuation	Non-compliance with IFRS and the Group's accounting policy Non-compliance with IFRS results in non-compliance to JSE listing requirements	H	A formal valuation of each asset under management to be undertaken annually
Policies and procedures not being adopted over annual insurance review	Inadequate insurance cover over properties, could result in loss of funds in event of an unforeseen event	H	A detailed review of insurance policies and cover on each asset under management to be undertaken annually
Ineffective property management	Loss of credibility by external stakeholders Increased vacancies	H	Effective management of the property portfolio through contracted third-party property management businesses
Above-average cost inflation from utilities, local councils and other property-related expenses	Reduced net property-related income as the rental escalations do not cover the cost increases Increased tenant defaults and vacancies	M	Utility cost increases are passed on to the tenants per lease agreements Non-recoverable component managed through service provider annual contract reviews Non-contracted items are budgeted for on an annual basis
Tenant failures	Monies owing are irrecoverable Large vacancies that cannot be filled Re-letting of current space at lower rental than the current or market rental	H	Existing tenant arrears actively monitored on a monthly basis and legal action instituted against non-performing tenants
Increased vacancies and re-let periods	Increase in working capital management Increased costs in filling of vacant space Competition driving down market rentals and decreasing income	H	Tenant retention and new tenant letting through tight property and asset management
Increasing arrears	Monies owing are irrecoverable Increase in working capital requirements or distribution	H	Tenant creditworthiness to be assessed at inception
Increased cost of occupancy from rates, taxes and utilities	Lower distributable income Lower rentals to retain certain tenants	M	Planning and implementing methods to measure and reduce consumption of utilities
Deterioration of municipal administration and service delivery	Incorrect utility billings Unable to optimise bulk and pursue large-scale extensions to meet tenant demand Delays in transfer of acquisitions and disposals	M	Work with professional consultants to optimise local authority approval processes

L Low M Medium H High

Key risk identified	Potential impact	Severity of risk	Mitigation of potential risk
Category: Finance			
General ledger reconciliations not being maintained	Accounts not being reconciled will result in the Annual Financial Statements being misstated; if not reconciled timeously will result in accounts being irreconcilable	M	Segregation of duties in terms of processor and authoriser to be applied to listings drawn, reconciled and balanced to ensure control of exceptional items Individual amounts aggregated to month-end general ledger accounts to be documented
Lack of segregation of duties over the capturing, authorising and payment function	Unauthorised payments could be made	H	Limited staff to be allocated the ability to make electronic and cash payments Segregation of duties applied between capturing and authorising functions
Lack of control over the purchases/payment cycle	Unauthorised purchases and payments could be made	H	Receiving area manager required to authorise the payment of invoices
Framework over covenant monitoring not established/ ineffective	Inability to receive further bank funding	H	Finance team to prepare and distribute compliance schedule
No standardised procedures over drawdown/guarantee requests	Potential unauthorised requests being made	H	Ensure that mandated personnel have authorised the drawdown/guarantee request
Exposure to cash-flow interest rate risk	Increased borrowing costs result in reduced distributable income	H	Ensure that interest is calculated and updated accurately
Currency risk	Unable to repatriate funds due to illiquid currency markets or capital restrictions Reduced distributable income Excessive volatility in exchange rates influences the Group's operations and profitability	M	Management of exchange rate movement risk across all non-ZAR debt facilities and dividend payments Matching debt with income Hedging exposure in terms of material dividends received
Non-compliance with financial covenants contained in the Bank Funding Loan agreement and the Exchange Control Approval letter	Potential penalties to be imposed Risk of loss of funding due to non-compliance to financial covenants	H	Finance team to prepare and distribute monthly covenant compliance schedule
Mismanagement of security offered for debt facilities	Higher value of assets encumbered	H	Management of the security offered to banks as security for debt facilities
Ineffective management information system	Management unable to effectively assess the Group's financial performance against KPI/KPA targets and forecasts	M	Ensure ability to extract strategic management information from the various operating systems/ programmes timeously in order to run the business effectively
Internal financial controls and accounting policies	Misstatement of Annual Financial Statements	H	Sound controls over the finance division and accounting policies to be implemented
Fraud	Misstatement of Annual Financial Statements Loss of stakeholder confidence	H	Implement controls checks and balances
Liquidity risk in being unable to refinance major loan exposures and increased cost of debt	Inability to refinance or roll over debt Refinancing at higher borrowing costs Increased costs of debt impacts negatively on the income available for distribution	M	Ability to refinance or roll over existing debt facilities
Increased debt finance cost	Negative impact on income available for distribution	M	Ensure ability to refinance or roll over existing debt facilities at similar interest rates at expiry, plus the management of interest rate costs across all debt facilities

Internal audit

The board, via the audit and risk committee, ensures that internal audits are effective and risk-based.

The head of internal audit reports to the audit and risk committee quarterly on the design and operating effectiveness of the Group's internal controls.

The internal audit is strategically positioned to achieve its goals.

The internal audit functions are outsourced and appropriately resourced for the complexity and volume of work required.

The head of internal audit reports back to the audit and risk committee.

The internal audit involves a formal risk assessment of the Group each year, to formulate a comprehensive risk-based audit plan. The assessment and programme are validated by executive management and approved by the audit committee.

The internal audit also involves liaison with the external auditors to enhance efficiencies. The annual plan is reviewed regularly to ensure it remains relevant.

External audit

KPMG Inc. are Texton's external auditors. Their independence is reviewed by the audit and risk committee annually. The audit and risk committee meets with the external auditors to review the scope of the external audit, budgets, the extent of non-audit services and all other audit matters. The external auditors are invited to attend audit and risk committee meetings and have access to the chairman of the audit committee.

Compliance

The Group is subject to external regulation and supervision by various supervisory authorities. The primary regulator is the JSE, given that the Company is listed. Other regulatory bodies include the South African Financial Intelligence Centre (FIC), the National Consumer Commission and the Competition Commission. We strive to have open and active dialogue with regulators and supervisors. We embrace our responsibility to conduct business in accordance with the governing laws and regulations.

The Group endorses the King Code of Corporate Governance Principles for South Africa, 2009 (King III) and has strived towards absolute compliance therewith as further set out herein, which the board believes it has essentially achieved throughout the financial year. A table, available on our website www.texton.co.za, records the respects in which the Group applies the principles of King III.

Recent developments affecting compliance in the sector include:

REIT legislation

On 1 April 2013, National Treasury introduced the South African Real Estate Investment Trust (REIT) tax dispensation which will consolidate the existing Property Loan Stocks and Property Unit Trust structures. The purpose of the REIT dispensation is to provide certainty in respect of the taxation of the current South African property investment structures and to bring such structures on par with leading international norms. This will, in effect, see distributions as tax deductible in the REIT itself. Additionally, capital gains tax will no longer apply to the REIT on disposal of capital assets. Thus the deferred tax on the fair value adjustments made in the prior and current financial years has been reversed. The Company made the required application to the JSE to be listed as a REIT on 21 June 2013 and was granted REIT status effective 1 July 2013.

Property Sector Charter

The Property Sector Charter (charter) came into effect on 1 June 2012. The board recognises that the objectives of the charter are vital to the overall sustainability of the Group. It is a stated intention, to develop strategies that address each of the key components of the charter. The social and ethics committee is responsible for overseeing implementation of the objectives of the charter. The Company is required to comply fully with the charter in its own right and has recently assessed its present status in relation to the scorecard and is a level 3 contributor.

Consumer Protection Act

The Consumer Protection Act (CPA) does not apply to juristic persons or corporate entities with a net asset value exceeding R2 million. The CPA therefore has minimal impact on the majority of our leases. Those that are affected are catered for accordingly.

Competition Commission

All medium and large transactions require notification to the Competition Commission. All required transactions have been submitted to the commission for approval.

Board and committee meetings

The board of the Company meets at least four times annually. Five board meetings were held during the reporting period. The chairman is responsible for setting the agenda for each meeting, in consultation with the chief executive officer. Comprehensive information packs on matters to be considered by the board are provided to directors in advance of the meetings.

Board and committees meeting attendance schedule

	Board	ARC	Investment	REMCO	SEC
Executives					
RF Kane (resigned 31/7/2015)	5/5				
M de Lange (resigned 31/7/2015)	5/5				
AN de Rauville (from 5/6/2015)	1/5			5/5	
LB Kan (appointed 5/6/2015, Resigned 9/7/2015)	1/1				
Independent non-executive					
PD Naidoo	4/5			4/5	
PM Tau-Sekati	4/5			5/5	2/2
NV Balfour	5/5			4/4	2/2
JR Macey	5/5	3/3	2/2		2/2
TS Sishuba	5/5	3/3			
KN Vundla	4/5	3/3		4/4	
Non-executives					
AN de Rauville (until 4/6/2015)	4/5		2/2		
JA Legh	5/5		1/2		
MJ van Heerden	5/5		2/2		
RB Makhubela (appointed 31/3/2015)	2/2		1/1		

Board committees and responsibilities

Committees are established by the board to assist it in the discharge of its duties. Board committees have unrestricted access to Company information and any resources required to help them fulfil their responsibilities, including professional advice, which is paid for by the Company.

Every board committee has a board-approved terms of reference. The board determines and amends the scope and responsibilities of the committees, as well as the appointment of new committee members.

The CEO and financial director are present at all board committee meetings in order to promote sound corporate governance and optimise the sharing of information. The Company secretary attends all board committee meetings.

Audit and risk committee

The audit and risk committee comprises three independent non-executive directors. The CEO, financial director and internal and external auditors are present at meetings, by standing invitation.

To assist the board in its supervisory and governance responsibilities, the responsibilities of the committee include:

- ensuring adequate processes are in place to safeguard the Company's assets;
- ensuring adequate accounting records are maintained;
- reviewing reports and financial statements and integrated reports prior to recommendation to the board for approval;
- reviewing the appropriateness of accounting policies and their application;
- overseeing the external audit process;
- considering the external audit scope;
- ensuring the effectiveness of internal controls is regularly reviewed and effective systems of internal control are maintained;
- ensuring an open channel of communication is maintained between directors, accounting staff and external auditors;
- ensuring an external auditor is appointed at all times to determine the scope for each external audit, and reviewing and setting auditors' fees for the annual audit;
- reviewing internal audit plans, reports, capacity and capability;
- ensuring compliance with legal requirements, accounting standards and the JSE Listings Requirements;
- the adoption and implementation of an appropriate risk management policy specifically for REITs which will be in accordance with industry practice and prohibit the entering into of any derivative transactions which are not in the normal cause of business;
- ensuring the finance functions of the manager, as they pertain to the Group, are adequately skilled, resourced and experienced; and
- ensuring that the external auditors are independent.

Statutory duties

In the conduct of its statutory duties, the committee:

- has been satisfied that the external auditor, KPMG, is independent of the Company in terms of the Companies Act. Assurance was sought and provided by KPMG that internal corporate governance processes within KPMG support its claim to independence;
- agreed, in consultation with executive management, to the engagement letter, audit plan and budgeted fees for the 2015 year;
- approval of the non-audit service arrangements with KPMG. The nature and extent of these services has been reviewed to ensure the fees for these services do not become so significant as to impact any perception on their independence;
- is of the opinion that significant internal financial controls are effective, based on control processes in place, assurances obtained from management and the issues raised by the internal and external auditors in their various management reports;
- is satisfied that the internal audit function is adequately resourced and is operating effectively in terms of both the mandate and agreed audit plan;
- has considered and has satisfied itself of the appropriateness of the expertise, experience and adequacy of the financial director, chief financial officer and other resources of the finance function of the Company;
- recommended the annual financial statements to the board for approval, based on processes and assurances obtained;
- through its review of the 2015 budget and discussions with management, reported to the board it supported management's view that the Company will be a going concern in the foreseeable future; and
- reviews the key risks facing the Company on an ongoing basis. The committee is satisfied that adequate controls are in place to mitigate the identified key risks.

The committee members were:
JR Macey (Chairman)
KN Vundla
TS Sishuba

The committee invitees were:
RF Kane (Joint CEO)
A de Rauville (Joint CEO) From 5 June 2015
M de Lange (FD)
LB Kan (COO) from 5 June 2015
A Stapelberg (CFO) from 22 June 2015
A de Bruyn (KPMG – external audit)
D Thompson (KPMG – external audit)
Y Erasmus (Excellerate – internal audit)
N Toerien (CIS Company Secretaries)
R Austin (CIS Company Secretaries)

The committee maintains an active working relationship with the board. The committee is governed by its terms of reference, the Act and the King III Report and Code of Governance. The terms of reference are aligned to both the King III Report and Code and the new Companies Act.

The committee meets quarterly with ad hoc meetings arranged as and when necessary.

Remuneration and nominations committee

The operations of the Group are undertaken by the manager, and the Company does not have any employees. The remuneration and nominations committee therefore does not make decisions relating to the remuneration of executive directors. The executive directors are employed by the manager and are not remunerated for their services as directors of the Company. The Company launched a staff share scheme in the year under review and the remuneration committee is instrumental in determining the allocation of shares to the employees in accordance with performance criteria of the Group and the individual's own performance in the context of the overall performance of the Group. The remuneration of the non-executive directors is determined by the committee and recommended to the board and shareholders for approval. The level of fees paid to non-executive directors is reviewed by the remuneration and nominations committee on an annual basis. For details regarding fees paid during the current and prior year, refer to note 32 to the financial statements. There are no service contracts for non-executive directors. For details pertaining to direct or indirect beneficial holdings in units of the Company in the current or prior year, refer to pages 44 and 45. The fees paid to non-executive directors are approved annually in advance of the annual general meeting.

The committee is chaired by an independent non-executive director. The chairman of the board is an active member of the committee. The nominations responsibilities of the committee include:

- identifying and nominating suitable candidates to fill vacancies on the board;
- determining and evaluating the adequacy, efficiency and appropriateness of the corporate governance structure and practices;
- establishing and maintaining a board directorship continuity programme to:
  - review the performance of and planning for, successors to the executive directors and chairperson of the board;
  - ensure the continued presence of non-executive directors;
  - conduct an annual self-assessment of the board; and
  - regularly review the structure, size and composition (including the skills, knowledge and experience) of the board;
- making recommendations to the board with regard to any proposed board changes; and
- making recommendations to the board for the retention of a current director.

The committee members were:
PM Tau-Sekati (Chairperson)
PD Naidoo
AN de Rauville
KN Vundla
NV Balfour

The committee invitees were:
RF Kane (CEO)
M de Lange (FD)
N Toerien (CIS Company Secretaries)
R Austin (CIS Company Secretaries)

Social and ethics committee

The statutory duties of the committee are discharged in terms of sections 72 (4) and (5) of the Companies Act, 2008, read with regulation 43 of the Companies Regulations 2011, which states that all listed companies must establish a social and ethics committee. The committee has adopted formal terms of reference which have been approved by the board and will be reviewed on a periodic basis. The committee is responsible for, *inter alia:*

- monitoring the Group's activities against global responsibility protocols, including the UN Global Compact Code and the principles of the Organisation for Economic Development Guidance (OEDG). The Company supports and respects the principles as set out in the UN Global Compact Code, OEDG's recommendation on the prevention of corruption and the International Labour Organisation's directive on decent work and working conditions as it relates to our suppliers;
- monitoring compliance with the B-BBEE Act. The Group recognises that integrating transformation into business practice is crucial for the sustainability of the Company. It is our intention to develop strategies that address each and every element of the proposed Property Transformation Code and thereby contribute to the overall transformation of the Company; and
- monitoring of corporate citizenship, consumer relations, and the Group's impact on the environment, health and public safety as it relates to the properties we own. The Group aims to be a good corporate citizen.

A key social and ethics initiative of the Company is a commitment to make a positive impact on the country and industry through investing in educational programmes. Funding and long-term commitments are reviewed on an annual basis and for the year under review the Company has selected and assisted in the following programmes:

- **Salvazione Christian School**

  The school is a registered independent school that receives a state subsidy which sadly does not even cover the teachers' salaries. Limited school fees are collected from families who are able to afford them. As such the school relies heavily on donations from individuals and corporate sponsors to cover the ever-increasing cost of running the school. The Slovo Park Educational Trust was formed and has over the past nine years been raising funds to support the school financially. The trustees are, among others, made up of the heads and bursars of the three private schools and the head of Salvazione.

There are a number of very successful volunteer programmes running at the school, including a daily feeding scheme, an art programme, English literacy and a much needed maths programme that was started last year. All these programmes rely on the commitment of a dedicated team of over 40 volunteers who give up their time to teach our children and truly help to make a difference in their lives.

There is an incredible amount of good work taking place at Salvazione and under the guidance of a competent headmistress, a well-functioning board and the support of a committed group of volunteers, the school is going from strength to strength.

The Fund is proud to be associated with the great work done by the Salvazione Christian School.

- Tomorrow Trust

The Tomorrow Trust is a South African-based non-profit organisation that supports orphaned and vulnerable children/youth to achieve their educational goals as part of an exit strategy from charity. This is achieved by providing holistic care and aligning themselves with like-minded partners in order to create sustainable opportunities for orphans and vulnerable children/youth to improve their current socio-economic circumstances.

The Tomorrow Trust was founded in 2005 by Ms Kim Normand-Feinberg, who is currently the CEO of the organisation. The Tomorrow Trust believes in a HAND UP that empowers and emancipates them from poverty rather than a HAND OUT that keeps them entrenched in charity.

The Fund has adopted Lesego Letlape as our tertiary student. She is currently in her third year BCom Accounting at UNISA. It is our aim to assist Lesego to complete her degree successfully and to provide her with the required training to start a successful career within the REIT sector. She knows the direction she wants her life to take, and so is willing to work hard in order to make that happen.

- Property Sector Charter Council (PSCC) career week

A property career week was hosted by the Property Sector Charter Council (PSCC) under the theme “Property as a career choice”. The career week hosted learners from seven high schools in Soweto, Alexandra and Thembisa. The objectives included:

- creating interest in the property as a career for high school learners in previously disadvantaged schools;
- creating a single platform for learners to learn as much as possible about the property and construction sector;
- sharing various available career options in the property and construction sector; and
- creating a platform where the learners have an opportunity to understand more about the property and construction sector by engaging with professionals in the industry.

Texton formed part of the Gauteng initiative and provided premises for the workshop which was held in Gauteng at Investment Place in Hyde Park.

The committee members were:
R Makhubela (Chairman)
M de Lange
NV Balfour
PM Tau-Sekati

The committee invitees were:
N Toerien (CIS Company Secretaries)
R Austin (CIS Company Secretaries)

Investment committee

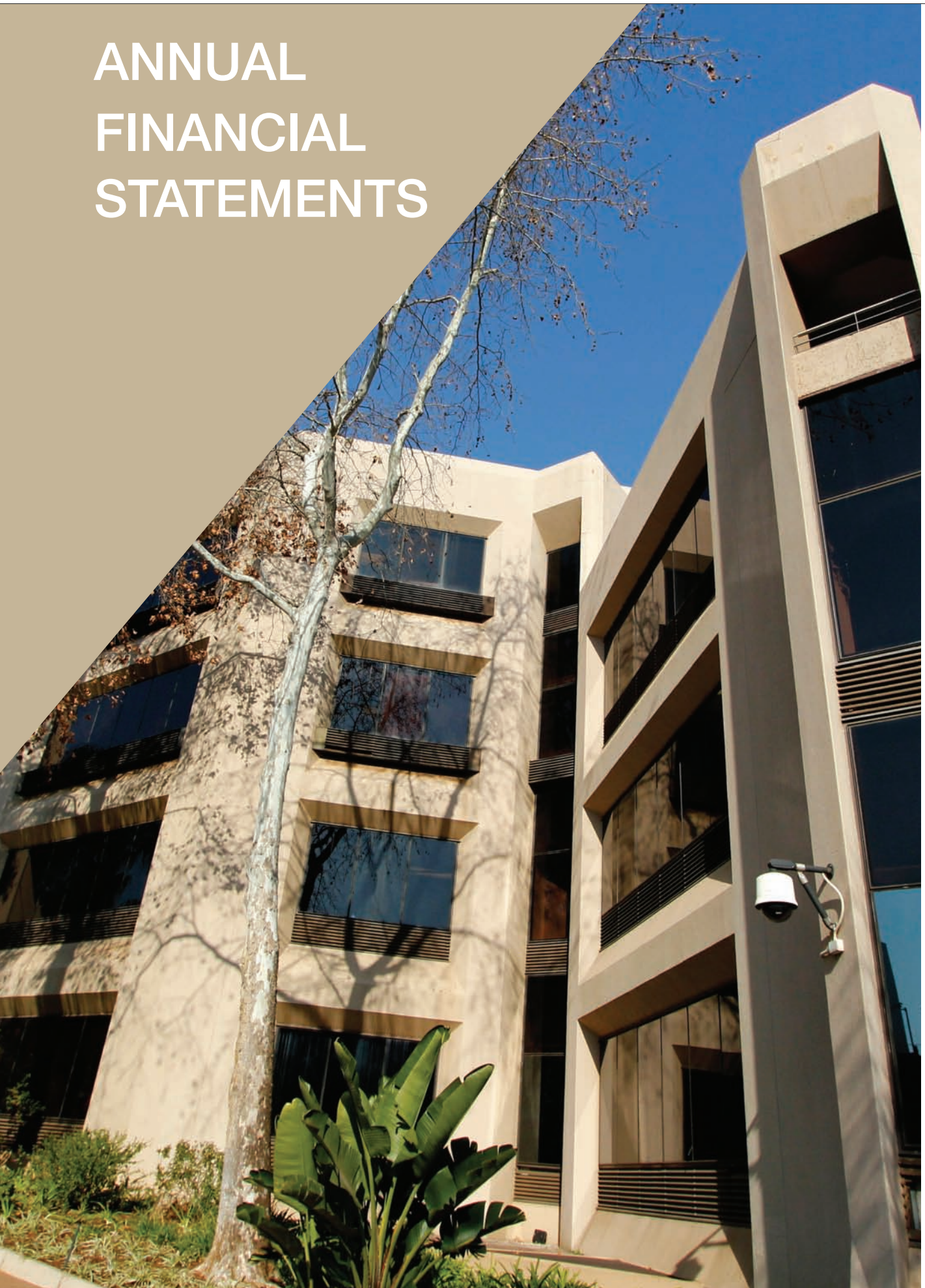
The investment committee’s roles and responsibilities include reviewing and approving any proposed acquisitions or disposals of investment properties or related investments or redevelopment opportunities, ensuring that all investments approved are in the best interests of the Group, and assessing those risks that might exist and conflicts of interest that may arise.

The committee is further responsible for the review and approval of valuations for recommendation to the board for inclusion in the Integrated Annual Report and any other public documents.

The committee members were:
M van Heerden (Chairman)
RF Kane
AN de Rauville
JA Legh
JR Macey
TS Sishuba
R Makhubela

The committee invitees were:
N Toerien (CIS Company Secretaries)
R Austin (CIS Company Secretaries)

ANNUAL FINANCIAL STATEMENTS



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The consolidated financial statements of Texton Property Fund Limited have been audited in compliance with section 30 of the Companies Act of South Africa. The chief financial officer, Annie Stapelberg (ACCA), was responsible for the preparation of the consolidated financial statements which were published on 19 October 2015.

Registration number 2005/019302/06

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for the preparation and fair presentation of the consolidated annual financial statements of Texton Property Fund Limited, comprising the consolidated statement of financial position at 30 June 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the consolidated financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and the directors' report.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of 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 to continue as going concerns and have no reason to believe that the businesses will not be going concerns in the year ahead.

The auditor is responsible for reporting on whether the consolidated financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of consolidated annual financial statements

The consolidated annual financial statements of Texton Property Fund Limited, as identified in the first paragraph, were approved by the board of directors on 14 October 2015 and signed by:

AN de Rauville
Chief executive officer
Authorised Director

14 October 2015

CERTIFICATION BY THE COMPANY SECRETARY

In terms of the Companies Act, 71 of 2008 (the Act), and for the year ended 30 June 2015, we certify that Texton Property Fund Limited has lodged all returns and notices required by the Act with the Commissioner of the Companies and Intellectual Property Commission and that all such returns and notices appear to be true, correct and up to date.

CIS Company Secretaries Proprietary Limited
Company secretary

14 October 2015
Dunkeld West

DIRECTORS' REPORT

The directors have pleasure in presenting their fifth annual report on the activities of the Group for the year ended 30 June 2015.

Main business and operations

On 11 August 2011, Texton Property Fund Limited (Texton), formerly known as Vunani Property Investment Fund Limited, successfully listed on the main board of the Johannesburg Stock Exchange Limited (JSE). Texton raised R448,3 million through the issue of 63 594 080 new shares. The proceeds were used to settle outstanding debt, pay for listing costs, and the purchase considerations for the acquisitions of properties. On 1 July 2013, Texton converted from a property loan stock company to a real estate investment trust (REIT), which status was granted by the JSE in accordance with the REIT provisions contained in section 13 of the JSE Listings Requirements, as amended. The Company's ISIN code, with effect from 1 July 2013, was: ZAE000185872 (formerly ISIN: ZAE000157459). Texton's listing on the JSE was moved to "Financial Services – Real Estate Investment Trusts". As part of the REIT conversion, the Company converted its share capital structure to an all-equity capital structure, aligned with international REIT capital structures.

On 7 August 2014 Texton successfully changed its name from Vunani Property Investment Fund Limited following the cession and assignment of the asset management agreement to Texton Property Investments Proprietary Limited, with a corresponding change in the ISIN code from ZAE000185872 to ZAE000190542. The share code has changed from VPF to TEX.

The operating results and state of affairs of the Group are fully set out in the attached financial statements and do not, in our opinion, require any further comment.

Role of the board

The board seeks to exercise leadership, integrity and sound judgement in pursuit of strategic goals and objectives in order to achieve long-term sustainability, growth and prosperity. The board is accountable for the performance and governance of the Group.

The board provides leadership within a framework of prudent and effective controls which ensures risks are assessed and properly managed. The board has adopted a charter which provides a framework of how the board operates as well as the type of decisions to be taken by the board and those which should be delegated to management. To achieve its objectives, the board may delegate certain of its duties and functions to various board committees or the CEO, without abdicating its own responsibilities. The board has formally defined and documented, by way of terms of reference, the authority it has delegated for various actions and functions. In fulfilling its responsibilities, the board is supported by management in implementing the plans and strategies approved by the board.

The board of directors:

- approves the Company's strategy;
- assesses the quantitative and qualitative aspects of the Company performance;
- ensures that the Group complies with all applicable laws;
- is responsible for the governance of risk;
- acts as focal point for, and custodian of, corporate governance;
- provides effective leadership based upon an ethical foundation;
- approves the terms of reference of board committees;
- assesses the going-concern fundamentals;
- ensures that adequate controls are in place;
- ensures the Company and subsidiaries operate as responsible corporate citizens;
- enhances stakeholder perceptions of the business;
- ensures sustainable business practices, including social and environmental activities; and
- tracks measurements and key performance indicators for ongoing corporate social investment.

Values and ethics

We adopt values and philosophies which are the benchmark against which we measure behaviour and ethical practices in our business. Our values require that directors and management operate with the utmost integrity, displaying consistent and uncompromising moral strength and conduct in order to promote and maintain trust. Sound corporate governance is entrenched in our values, culture, processes, functions and organisational structure.

The board of directors commits itself to ensure that the Company and its agents conduct the business according to the highest ethical standards, and in particular:

- comply with all laws of the country that affect the Group;
- comply with the rules of the JSE Limited;
- act in the best interests at all times of all stakeholders;
- are transparent in disclosing all material information that may influence investors and potential investors;
- not act in any way that may be regarded as harmful business practice;
- conduct the business as a responsible corporate citizen;
- trade in securities of the Company only in open periods and with the prior written permission of the chairman and/or financial director;
- not trade in competition with the Group; and
- not hold positions that give rise to a conflict of interests and, should any potentially conflicting situations arise, to make full, prior written disclosure to the board and abstain from participating in any discussions or voting on the matter, unless the board consents thereto.

Sustainability practices

Texton's sustainability goals reflect its culture of continuous advancement and reaffirm the belief that sustainability in its broadest sense is about managing and positioning the business for the long term. The Company's sustainability philosophy is based on the recognition that it is driven by its commitment to its culture and values. The approach to sustainability reflects the acute awareness of the need for longevity and an ingrained understanding of the practices that underpin sustainability.

Board statement

The Group, through its board and management, is committed to complying with the disclosure and transparency rules of the JSE Limited (JSE) Listings Requirements, the Companies Act, 2008 and the King Code of Governance Principles for South Africa 2009 (King III). Consequently, all stakeholders can be assured that Texton is being managed ethically and in compliance with all relevant legislation, regulation and recognised best practice and that the specific requirements set out in the JSE Listings Requirements have been complied with throughout the financial year.

Independence and board composition

As at 30 June 2015, the board is compliant with Chapter 2, Principle 2.18 of King III in that the majority of non-executive directors are independent.

The board is of the view that the independent non-executive directors are independent of management and promote the interests of stakeholders. The balance of executive and non-executive directors is such that there is a clear division of responsibility to ensure a balance of power, such that no one individual or group can dominate board processes or have unfettered powers of decision making. The board believes that it functions effectively and evaluates its performance annually.

As a consequence of his BEE transaction with the Company, the chairman of the board, Dempsey Naidoo, is no longer independent, and Portia Tau-Sekati has been appointed lead independent director as contemplated by King III.

Chairman and chief executive officer

The roles of the chairman and chief executive officer are distinct and separate, with a clear division of responsibilities that have been approved by the board. The chairman leads the board and is responsible for ensuring that the board receives accurate, timely and clear information to ensure that directors can perform their duties effectively.

Skills, knowledge, experience and attributes of directors

The board considers that the skills, knowledge, experience and attributes of the directors as a whole are appropriate for their responsibilities and their activities. The directors bring a diverse range of skills and expertise to the board, including:

- international business and operational experience;
- understanding of the economics of the property sector in which the Group operates;
- knowledge of the regulatory environments in which the Group operates; and
- financial, accounting, legal and property experience and knowledge

The skills and experience profile of the board and its committees are regularly reviewed to ensure an appropriate and relevant composition from a governance, succession and effectiveness perspective.

Board and directors' performance evaluation

The performance of the board, its committees and individual directors are evaluated annually according to recognised corporate governance practices. The formal process has been approved by the remuneration and nominations committee. The performance evaluation process takes place both informally, through personal observations and discussions, and formally through the completion of questionnaires. The results are considered and discussed by the board. The chairman conducts meetings with directors to discuss the results of the formal and informal evaluations and, in particular, seeks comments on the strengths and developmental areas of the members. Individual training and development needs are discussed with each board member.

Ongoing training and development

All new directors have received training.

Terms of appointment

On appointment, non-executive directors are provided with a letter of appointment. The letter sets out, *inter alia*, duties, responsibilities and expected time commitments, details of Texton's policy on obtaining independent advice and, where appropriate, details of the board committees of which the non-executive director is a member. An insurance policy is in place that insures directors against liability they may incur in carrying out their duties.

Independent advice

Through the Company secretaries, individual directors are entitled to seek professional independent advice on matters related to the exercise of their duties and responsibilities at the expense of the Company.

Remuneration

The remuneration paid to directors for the year ended 30 June 2015 is set out on page 87 of the financial statements.

The proposed remuneration of non-executive directors for the year ending 30 June 2016 is set out below:

	Per annum R'000
Chairman of the board	330
Lead independent	300
Chairman of the audit and risk committee	280
Chairman of the investment committee	280
Chairman of the remuneration and nominations committee	220
Other non-executive directors	220

Constitution of the board and its committees

Details of directors, including their full names, ages, qualifications and brief curriculum vitae, are set out on pages 28 and 29.

In terms of the Memorandum of Incorporation (MOI) of the Company, one third of the directors have to retire annually by rotation. Messrs PD Naidoo, TS Sishuba and Ms PM Tau-Sekati are to retire by rotation at the forthcoming annual general meeting in terms of clause 28.16 of the Company's MOI. These directors, being eligible, shall offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' REPORT continued

The composition of the board of directors and board committees is as follows:

Board composition	Date of appointment	Audit and risk committee	Investment committee	Remuneration and nominations committee	Social and ethics committee
Independent non-executive directors					
PD Naidoo (Chairperson)	11 August 2011			Member	
NV Balfour	30 June 2014			Member	Member
JR Macey	11 August 2011	Chairperson	Member		
PM Tau-Sekati (Lead independent)	11 March 2013			Chairperson	Member
TS Sishuba	30 June 2014	Member	Member		
KN Vundla	11 March 2013	Member			
Non-executive directors					
JA Legh	1 March 2014		Member		
MJ van Heerden	1 March 2014		Chairperson		
RB Makhubela	31 March 2015		Member		Chairperson
Executive directors					
AN Du Hecquet de Rauville*	1 March 2014		Member	Member	

** Appointed as chief executive officer 5 June 2015.*

Messrs RF Kane and LB Kan resigned from the board of directors on 5 June 2015 and 15 July 2015 respectively. Ms M de Lange resigned on 5 June 2015.

The following changes were made to the board committees:

Ms PM Tau-Sekati was appointed as lead independent and resigned as chairperson, but remains a member of the social and ethics committee. Mr TS Sishuba was appointed to the investment, and audit and risk committees. Ms NV Balfour was appointed to the remuneration and nominations committee. Ms AN Du Hecquet de Rauville was appointed chief executive officer with effect 5 June 2015. Mr RB Makhubela was appointed as chairperson of the social and ethics committee and a member of the investment committee.

Company secretary

CIS Company Secretaries Proprietary Limited, a subsidiary of Computershare Investor Services Proprietary Limited, represented by Mr Neville Toerien and Mr Richard Austin, act as the Company secretary for Texton in compliance with the King Code of Corporate Governance.

These representatives are professionally qualified and have the required experience gained over a number of years of professional practice. Their services will also be evaluated by the board members during the annual board evaluation process. In compliance with the JSE Listings Requirements, the board has considered and is satisfied that Mr Neville Toerien and Mr Richard Austin are competent, have the relevant qualifications and experience and maintain an arm's-length relationship with the board. In addition, the board confirms that neither Mr Neville Toerien nor Mr Richard Austin has ever served as a director on the board, nor do they take part in board deliberations but only advise on matters of governance, form or procedure.

Conflicts of interest

Conflicts of interest are discussed at every relevant committee and board meeting and such interests disclosed. A conflicted director will recuse himself/herself from voting on a matter where he/she has a conflicting interest, and will also recuse himself/herself from the relevant meeting and may not be part of the matter except for disclosing its general nature or any material information. In the event that the Company is presented with an investment proposal involving a property owned (in whole or in part), directly or indirectly, by any related party, such interest will be fully disclosed to the Company and will be referred to the investment committee and the board. The investment committee and the board must approve any such proposals referred to it before the investment is made. The 'Chick and Thys' portfolio acquired during the financial year followed the process referred to above.

Directors' interests in shares

Directors' dealings in the securities of the Company are subject to a policy based on regulatory requirements and governance best practice. Any transactions in the securities of the Company require the prior approval of the chairman. In the event that the chairman wishes to trade in shares, the prior written approval of the CEO or, in her absence, the financial director is required.

The interest of directors in the shares of the Company as at 30 June 2015 was as follows:

	Number of shares held		
	Beneficial		
Director	Direct	Indirect	Total
RF Kane through Ludlow Trust	–	1 037 702	1 037 702
AN Du Hecquet de Rauville through Handful of Keys Proprietary Limited	–	1 188 258	1 188 258
MJ van Heerden through Nooitgedacht Familie Trust	–	11 137 948	11 137 948
JA Legh	7 384 213	25 000	7 409 213
PD Naidoo through PDNA Property Investments Limited*	–	11 039 439	11 039 439
RB Makhubela through Business Venture Investments Proprietary Limited**	–	38 069 071	38 069 071
	7 384 213	62 497 418	69 881 631

** PD Naidoo associated entity.*

*** Romeo Makhubela is the 60% beneficial owner of Business Venture Investments Proprietary Limited.*

The interest of directors' shares in the Company as at 30 June 2014 was as follows:

	Number of shares held		
	Beneficial		
Director	Direct	Indirect	Total
AN Du Hecquet de Rauville	719 835	–	719 835
RF Kane	–	1 037 702	1 037 702
JA Legh	446 643	25 000	471 643
MJ van Heerden	–	197 859	197 859
	1 166 478	**1 260 561**	**2 427 039**

Up to the date of this report and subsequent to the year under review, the following share transactions have been concluded with related parties:

- Directors, B-BBEE partners and business partner of Texton followed their rights under the rights issue dated 18 September 2015 and as a result acquired the following number of shares:

	Direct	Indirect
Directors		
AN Du Hecquet de Rauville		**430 423**
MJ van Heerden		**4 034 499**
JA Legh	**2 674 783**	
PD Naidoo		**3 998 816**
RB Makhubela		**6 619 085**
Treasury shares		
Texton Property Fund Employee Incentive Share Trust	**1 385 306**	
BEE partners		
Non-director BEE consortium partners		**7 170 675**
Underwriters		
Luna Group		**8 568 168**

- JA Legh entered into an agreement with Handful of Keys Proprietary Limited, an entity in which AN Du Hecquet de Rauville has an indirect holding, in terms of which JA Legh will sell 507 295 shares of the total 2 6784 783 shares to which he was entitled at a price of R9,86 per Texton share to Handful of Keys Proprietary Limited.

Financial reporting and going concern

The directors are satisfied that the Group has adequate resources to continue in business for the foreseeable future. The assumptions underlying the going-concern statement are discussed at every board meeting and again at the time of the approval of the annual consolidated financial statements by the board. These include:

- budgeting and forecasts;
- profitability;
- capital; and
- solvency and liquidity.

In addition, the directors are responsible for monitoring and reviewing the preparation, integrity and reliability of the financial statements, accounting policies and the information contained in the annual report. In undertaking this responsibility, the directors are supported by an ongoing process for identifying, evaluating and managing the risks faced in preparing the financial and other information contained in this annual report. This process was in place for the year under review and up to the date of approval of the annual report and financial statements. The process is implemented by management and independently monitored for effectiveness by the audit and risk committee and other committees of the board, which are detailed on pages 35 to 38.

Our financial statements are prepared on a going-concern basis, taking into consideration the:

- Company's strategy, prevailing market conditions and business environment;
- nature and complexity of our business;
- risks the Company assumes, and their management and mitigation;
- key business and control processes in operation;
- access to capital;
- needs of all our stakeholders;
- operational soundness;
- accounting policies adopted;
- corporate governance practices;
- desire to provide relevant and clear disclosures; and
- operation of board committee support structures.

The board is of the opinion, based on its knowledge of the Company, key processes in operation and specific enquiries, that there are adequate resources to support the Group as a going concern for the foreseeable future. Furthermore, the board is of the opinion that the risk management processes and the systems of internal control are effective.

REPORT OF THE AUDIT AND RISK COMMITTEE

The audit and risk committee has the pleasure of submitting this report to shareholders as required by the Companies Act, 71 of 2008 (the Companies Act) and as recommended by the King III Code of Governance Principles for South Africa (the King III Code). The activities of the audit and risk committee (the committee) are determined by its terms of reference and mandate. For details of the composition and duties of the committee, see page 36.

The committee is satisfied that it has considered and discharged its responsibilities in terms of its mandate and terms of reference, the King III Code and the Companies Act. The committee carried out its duties by, *inter alia*, reviewing the following:

- Internal audit reports;
- Financial management reports;
- External audit reports; and
- Management's risk assessment.

The abovementioned information, together with interaction with the external and internal auditors, management and other invitees attending meetings, enabled the committee to conclude that the risk management process and systems of internal financial control have been designed and were operating effectively during the year. The committee is satisfied with the following:

Financial reporting

- Accounting policies applied
- Key judgements including the valuations of investment properties
- Impact of future financial reporting standards
- Going concern assessment of the Company and its subsidiaries including a solvency and liquidity test on the Group in terms of sections 4 and 46 of the Companies Act and concluded that the Company will satisfy the test after payment of the final dividend. The committee can also confirm that the test was performed at the interim distribution stage
- Corporate governance application
- Budgets and forecasts prepared and approved
- Funding structures in place
- Tax status of the Company and subsidiaries

Risk and internal control

- Key risks facing the Group
- Annual report on the effectiveness of internal controls
- Insurance cover of the Company
- B-BBEE progress made
- Information technology aspects outsourced to the manager

Internal audit

- Engagement of the internal audit services
- Assessment of the internal audit effectiveness
- Internal audit plans on a three-year rolling period
- Review of findings and recommendations made by internal audit and management responses

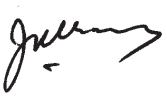
External audit

- Review of the independence of the external auditor, including the pre-approval of the non-audit services provided
- Approval of the audit budget for the year
- Annual audit planning, conclusions and final opinion reports
- Audit engagement letters
- Management report items identifying the effectiveness of controls and recommendations for corrective action

Statutory duties

In the conduct of its statutory duties, the committee:

- has been satisfied that the external auditor, KPMG, is independent of the Company in terms of the Companies Act. Assurance was sought and provided by KPMG that internal corporate governance processes within KPMG support its claim to independence;
- agreed, in consultation with executive management, to the engagement letter, audit plan and budgeted fees for the 2015 year;
- is of the opinion that significant internal financial controls are effective, based on control processes in place, assurances obtained from management and the issues raised by the internal and external auditors in their various management reports;
- is satisfied that the internal audit function is adequately resourced and is operating effectively in terms of both the mandate and agreed audit plan;
- has considered and has satisfied itself of the appropriateness of the expertise and adequacy of resources of the finance function of the Group. The committee confirms the chief financial officer, A Stapelberg, has the necessary expertise and experience to carry out her duties;
- recommended the annual consolidated financial statements to the board for approval, based on processes and assurances obtained;
- through its review of the 2016 budget and discussions with management, reported to the board it supported management's view that the Company and its subsidiaries will be going concerns in the foreseeable future; and
- reviews the key risks facing the Group on an ongoing basis. The committee is satisfied that adequate controls are in place to mitigate the identified key risks.



JR Macey
Chairperson of the audit and risk committee

14 October 2015
Dunkeld West

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Texton Property Fund Limited

We have audited the consolidated financial statements of Texton Property Fund Limited, which comprise the consolidated statement of financial position at 30 June 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the consolidated financial statements which include a summary of significant accounting policies and other explanatory notes, as set out on pages 48 to 108.

Directors' responsibility for the financial statements

The Company's directors are responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated financial position of Texton Property Fund Limited at 30 June 2015, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 30 June 2015, we have read the directors' report, the report of the audit and risk committee and the certification by the company secretary for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

KPMG Inc.
Registered Auditor

Per DD Thompson
Chartered Accountant (SA)
Registered Auditor
Director

14 October 2015

KPMG Crescent
85 Empire Road
Parktown
Johannesburg
2193

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2015

	Note	2015 R'000	2014 R'000
ASSETS			
Non-current assets		**4 338 969**	2 219 986
Investment property	5	**4 146 385**	2 202 525
Property, plant and equipment	6	**8 322**	7 925
Goodwill	7	**77 018**	–
Other non-current assets	8	**8 923**	5 781
Restricted cash	9	**98 321**	–
Deferred tax	10	**–**	3 755
Current assets		**361 287**	113 501
Trade and other receivables	11	**85 182**	23 824
Investment property classified as held for sale	12	**24 000**	24 000
Income tax receivable		**3 631**	1 228
Restricted cash	9	**28 089**	–
Cash and cash equivalents	13	**220 385**	64 449
Total assets		**4 700 256**	2 333 487
EQUITY AND LIABILITIES			
Equity			
Stated capital	14	**2 037 921**	945 436
Retained earnings		**832 781**	646 880
Share-based payment reserve	16	**1 074**	–
Foreign currency translation reserve	17	**9 223**	–
Shareholders' interest		**2 880 999**	1 592 316
Other liabilities			
Other non–current liabilities		**1 719 760**	360 066
Other financial liabilities	18	**1 716 145**	360 066
Deferred tax	10	**3 615**	–
Current liabilities		**99 497**	381 105
Current portion of other financial liabilities	18	**30 613**	337 277
Trade and other payables	19	**68 884**	43 828
Total liabilities		**1 819 257**	741 171
Total equity and liabilities		**4 700 256**	2 333 487
Shares in issue ('000)*		**267 424**	160 210
Net asset value per share (cents)		**1 077,32**	993,89
Net tangible asset value less deferred tax per share (cents)		**1 049,87**	991,55

** 267 424 shares exclude the Texton Property Fund Incentive Share Scheme shares (refer note 14).*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2015

	Note	2015 R'000	2014 R'000
Investment property income	20	**401 181**	271 759
Straight-line rental adjustment	5	**9 590**	1 839
Revenue		**410 771**	273 598
Property expenses	21	**(127 269)**	(89 571)
Net property income		**283 502**	184 027
Other income	22	**22 804**	5 444
Other operating expenses		**(18 630)**	(4 689)
Asset management fees		**(14 834)**	(9 588)
Operating profit	23	**272 842**	175 194
Finance income	24	**585**	8 299
Finance costs	25	**(77 588)**	(41 421)
Fair value adjustments	26	**164 242**	114 827
Capital items	27	**(114)**	(9)
Profit before debenture interest		**359 967**	256 890
Debenture interest	28	**–**	(64 022)
Profit before amortisation of debenture premium		**359 967**	192 868
Amortisation of debenture premium		**–**	2 159
Profit before income tax		**359 967**	195 027
Income tax	29	**(8 063)**	(370)
Profit for the year		**351 904**	194 657
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**9 223**	–
Total comprehensive income for the year		**361 127**	194 657
Shares in issue ('000)*		**267 424**	160 210
Basic and diluted earnings per share (cents)	34	**175,66**	123,60
Comparable basic and diluted earnings per share (cents)	34	**175,66**	162,88

** 267 424 shares exclude the Texton Property Fund Incentive Share Scheme shares (refer note 14).*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2015

	Ordinary share capital R'000	Stated capital R'000	Non-distributable reserve R'000	Share-based payment reserve R'000	Foreign currency translation reserve R'000	(Accumulated loss)/ retained earnings R'000	Total R'000
Balance at 30 June 2013	301	–	498 284	–	–	(46 061)	452 524
Transactions with owners of the Group recognised directly in equity							
Issue of shares	121	–	–	–	–	–	121
Treasury shares acquired	–	(86 060)	–	–	–	–	(86 060)
Transfer from non-distributable reserve	–	–	(498 284)	–	–	498 284	–
Conversion of debentures to shares with no par value	(422)	1 031 496	–	–	–	–	1 031 074
Total comprehensive income for the year							
Profit for the year	–	–	–	–	–	194 657	194 657
Balance at 30 June 2014	**–**	**945 436**	**–**	**–**	**–**	**646 880**	**1 592 316**
Transactions with owners of the Group recognised directly in equity							
Issue of shares	**–**	**1 092 485**	**–**	**–**	**–**	**–**	**1 092 485**
Dividend paid	**–**	**–**	**–**	**–**	**–**	**(166 003)**	**(166 003)**
Share-based payment transaction	**–**	**–**	**–**	**1 074**	**–**	**–**	**1 074**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**9 223**	**351 904**	**361 127**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**351 904**	**351 904**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**9 223**	**–**	**9 223**
Balance at 30 June 2015	**–**	**2 037 921**	**–**	**1 074**	**9 223**	**832 781**	**2 880 999**

** Refer note 14 for movement in share capital, note 17 for share-based payment and statement of comprehensive income for dividend on profit for the year.*

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2015

	Note	2015 R'000	2014 R'000
Cash flows from operating activities			
Cash generated by operations	30	**255 393**	170 771
Finance income received	24	**585**	8 299
Finance costs paid	25	**(70 748)**	(41 200)
Dividend paid		**(166 003)**	–
Debenture interest paid		**–**	(111 361)
Income tax paid	29	**(3 558)**	(335)
Net cash inflow from operating activities		**15 669**	26 174
Cash flow from investing activities			
Additions to property, plant and equipment	6	**(4 493)**	(5 382)
Additions to investment property	5	**(7 184)**	(1 851)
Additions to other non-current assets	8	**(4 056)**	(532)
Proceeds on disposal of investment property		**47 091**	–
Acquisition of businesses, net of cash acquired	33	**(550 047)**	(357 149)
Net cash outflow from investing activities		**(518 689)**	(364 914)
Cash flow from financing activities			
Proceeds from issue of shares (2014: linked units)	14	**628 035**	446 325
Repurchase of treasury shares		**–**	(86 060)
Advance of other financial liabilities		**408 294**	205 752
Repayment of other financial liabilities		**(378 058)**	(186 383)
Net cash inflow from financing activities		**658 271**	379 634
Net increase in cash and cash equivalents		**155 251**	40 894
Effect of the conversion of foreign operations on cash and cash equivalents		**685**	–
Cash and cash equivalents at the beginning of the year		**64 449**	23 555
Cash and cash equivalents at the end of the year		**220 385**	64 449

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2015

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 consolidated financial statements include the financial statements of Texton Property Fund Limited (Texton or the Company or the Fund), its subsidiary companies and controlled trust (together referred to as the Group and individually as Group companies). Subsidiaries are set out in note 41.

1.2 Statement of compliance

The 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, and the requirements of the Companies Act of South Africa. The annual financial statements were authorised for issue by the board of directors on 14 October 2015.

1.3 Basis of measurement

The 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 financial statements, except for the changes below. The financial statements are prepared on the basis that the Company and its subsidiaries are going concerns.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 July 2014:

- IAS 32 Amendments – *Offsetting Financial Assets and Financial Liabilities*. The amendments clarified that an entity had a legal enforceable right to set off financial assets and financial liabilities if that right was:
  - not contingent on a future event; and
  - enforceable both in the normal cause of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.

The amendments did not result in the Group offsetting financial assets and financial liabilities.

- IAS 36 Amendments – *Recoverable Amounts Disclosure for Non-Financial Assets*. The amendments reversed the unintended requirement in IFRS13 – *Fair Value Measurement* to disclose the recoverable amount of each cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under the amendments, the recoverable amount is required to be disclosed only when an impairment loss has been recognised or reversed. The Group has not impaired significant goodwill and therefore the amendments had no impact on the accounting policy.

1.4 Functional and presentation currency

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

1.5 Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

Note 5 – valuation of investment property.

Note 11 – impairment losses on trade receivables.

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 trust.

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 financial statements of subsidiaries are included in the financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

2. Accounting policies continued

2.1 Basis of consolidation continued

Business combinations

All business combinations are accounted for by applying the acquisition method in terms of IFRS 3. The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amounts of the identifiable assets acquired and liabilities assumed, all measured as at the acquisition date.

Acquisition from entities under common control

A business combination involving entities or businesses under common control is a business combination of which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory. The investments are recognised at the carrying amounts recognised previously in the Group.

Transactions eliminated on consolidation

Intra-Group balances and transactions, and any unrealised income and expenses arising from intra-Group transactions, are eliminated in preparing the financial statements.

2.2 Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary and is recognised at the date of the acquisition.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. The carrying amount of goodwill is assessed annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

At acquisition date, goodwill acquired is allocated to cash-generating units and any impairment is determined using the value-in-use methodology in relation to these units.

On disposal of a subsidiary or cash-generating unit, the amount of goodwill attributable is included in the determination of the profit or loss on disposal.

Negative goodwill, which represents the excess of the Group's interest in the fair value of the identified assets and liabilities acquired over the cost of acquisition, is recognised immediately in profit or loss.

Where the Group reorganises its reporting structure in a manner that changes the composition of the cash-generating unit to which goodwill has been allocated, the goodwill is re-allocated in a manner that best reflects the goodwill associated with the recognised cash-generating unit.

2.3 Financial instruments

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

The Group initially recognises loans and receivables 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.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Loans and receivables comprise trade and other receivables, cash and cash equivalents, restricted cash and loans.

Subsequent to initial recognition the instruments are measured as follows:

- Restricted cash
  Restricted cash is monies earmarked for a specific purpose and therefore not available for immediate general use by an organisation. Restricted cash, if the amount is material, is shown separately from cash and equivalents on the statement of financial position. Restricted cash comprises amounts held in deposit for collateral under the lease of office space where the lease amount was paid in advance. Restricted cash is not considered cash and cash equivalents for purposes of the consolidated statement of cash flows.
- Cash and cash equivalents
  Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Cash and cash equivalents are measured at amortised cost. Interest earned on cash invested with financial institutions is recognised on an accrual basis using the effective interest method.

  Cash and cash equivalents comprise cash balances. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

2. Accounting policies continued

2.3 Financial instruments continued

- Trade and other receivables
  Trade and other receivables are carried at amortised cost less any accumulated impairments. An estimate is made for credit losses based on a review of all outstanding amounts at year-end. Doubtful debts are provided for in the year in which they are identified, with such movement taken to profit or loss for the period. Short-term receivables are measured at original invoice amount when the effect of discounting is immaterial.

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

- Loans
  Loans are carried at amortised cost using the effective interest method, less any impairment. 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 payables
  Trade and other payables are measured at amortised cost. Short-term payables are measured at the original invoice amount when the effect of discounting is immaterial.
- Other financial liabilities
  Non-derivative financial liabilities comprising long-term interest-bearing loans, other than debentures, are initially measured at fair value, net of transaction costs and 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.
- Debentures
  Debentures are designated as financial liabilities measured at amortised cost. The debenture premium is amortised over the period over which the debentures will be repaid. The portion recorded in profit and loss for the amortisation of debentures is removed for distribution purposes.

Refer to note 15 for composition of debentures, note 18 for other financial liabilities and note 19 for trade and other payables.

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 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.

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.

2.4 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 which are probable and such expenditure can be measured reliably. All other subsequent expenditure is recognised as an expense 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 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.

2. Accounting policies continued

2.4 Investment property continued

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 sale price and the fair value of the investment property as determined at the last valuation date.

When the Group begins to redevelop 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 redevelopment.

2.5 Property, plant and equipment

Recognition and measurement

Items of property, 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. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Subsequent expenditure on items of property, 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 property, 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 property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the item of property, plant and equipment, and are recognised 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 item of property, 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
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.

2.6 Impairment

Non-derivative financial assets

A financial asset is considered to be impaired at financial period-end if objective evidence indicates that one or more events occurred after initial recognition that have had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is measured at the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not otherwise consider;
- indications that a debtor will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security; or
- observable data indicating that there is a measurable decrease in expected cash flows from a group of financial assets.

Individually significant financial assets are assessed for impairment on an individual basis. The remaining financial assets, together with individual significant assets found not to be impaired, are assessed collectively in groups that share similar credit risk characteristics. This impairment testing is performed annually at the end of each financial period.

All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

2. Accounting policies continued

2.6 Impairment continued

Non-financial assets

The carrying amount of the Group's non-financial assets, other than investment property and deferred tax assets, 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 to sell. 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.

Goodwill is tested for impairment annually.

An impairment loss is reversed, with the exception of goodwill, 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.

2.7 Property letting commissions

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

2.8 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

2.9 Assets held-for-sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro-rata basis, except that no loss is allocated to financial assets, deferred tax assets or investment property, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

2.10 Treasury shares

Company shares held by the share incentive 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.

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.

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

2.11 Leases

The Group is party to numerous leasing contracts as the lessor of property. All leases are operating leases, which are those leases where the Group retains a significant portion of the risks and rewards of ownership. 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. The Group is party to leasing contracts as the lessee of some property and equipment. Leases are classified as operating leases, where substantially all the risks and rewards associated with 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 a 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.

2. Accounting policies continued

2.12 Revenue

Revenue comprises rental income and recovery of expenses, excluding VAT. Rental income from investment property is recognised in profit or loss on a straight-line 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. The recovery of expenses is recognised when the related expenses are incurred.

2.13 Finance income and finance costs

Finance income comprises interest income on bank balances. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on bank balances and long-term loans. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition construction or production of qualifying assets, 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.

2.14 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

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

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the functional currency at the exchange rate 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.

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 translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit and loss as part of the profit or loss on disposal.

2.15 Employee benefits

Equity-settled share-based employee remuneration

A share incentive scheme was introduced for employees during the course of the year. The scheme was formed 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. The scheme provides a mechanism to attract and retain staff and align the interests of those responsible for performance with that of the Group. Texton has created a scheme that attracts quality employees, retains top performers and aligns the interests of those running the Group with that of shareholders.

The grant date fair value of equity-settled share-based payment options granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the options. The amount recognised as an expense is adjusted to reflect the number of options for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of options that meet the related service and non-market performance conditions at vesting date.

2.16 Income tax

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.

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.

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.

2. Accounting policies continued

2.16 Income tax continued

A deferred tax liability is recognised for all taxable temporary differences except to the extent that the deferred tax liability arises from:

- the initial recognition of goodwill; or
- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future and the parent is able to control the timing of the reversal of the temporary difference; or
- the initial recognition of an asset or liability in a transaction which:
  - is not a business combination; and
  - at the time of the transaction affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

- is not a business combination; and
- at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

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.

2.17 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 entities connected to the above.

2.18 Earnings per share

The Group presents basic, diluted, comparable basic and diluted earnings, headline earnings, diluted headline earnings, comparable headline and diluted headline earnings per share for its shares. 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 own shares held.

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

Headline earnings per share is calculated by dividing the headline profit or loss attributable to shareholders of the Group by the weighted average number of shares outstanding during the year, adjusted for own shares held.

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

Headline earnings per share is calculated in terms of circular 2/2013.

Comparable basic earnings per share is calculated by dividing comparable earning attributable to shareholders by the number of shares in issue at year-end, adjusted for treasury shares held.

2.19 Net asset value per share and net tangible asset value less deferred tax 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 and adjusted for treasury shares held.

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

2.20 Segment 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 CEO 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 CEO 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 property, plant and equipment, and intangible assets other than goodwill.

3. Risk management

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

- Foreign currency risk;
- Credit risk;
- Liquidity risk; and
- Market risk.

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.

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.

Financial assets, which potentially subject the Group to concentrations of credit risk, consist principally of restricted cash, cash and cash equivalents, and trade and other receivables.

Trade and other receivables include other receivables and deposits less impairment losses.

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 creditworthiness 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.

In monitoring tenant credit risk, tenants are grouped according to their credit characteristics, including whether they are an individual or legal entity, industry, size of business and existence of previous financial difficulties.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.

The main component of this allowance is a specific loss component that relates to individually significant exposures.

The Group deposits cash surpluses with major banks of high quality credit standing to address the related credit risk.

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 or 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.

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 is exposed to currency risk in terms of pound sterling borrowings and distributions from subsidiaries.

The Group is not exposed to equity price risk.

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 CFO.

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 investment committee for recommendation to the Board and significant valuation issues are reported to the Group's audit and risk committee.

3. Risk management continued

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.

Investment property

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property portfolio every year. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. 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 creditworthiness; 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 value of trade and other receivables is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date. The carrying amount of short-term trade and other receivables approximates the fair value.

Derivatives

The fair value of interest rate 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 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 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 for foreign currency 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 fair value of trade and other payables approximates the carrying value.

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.

3. Risk management continued

Capital risk management continued

The capital structure of the Group consists of debt, which includes debentures, other financial liabilities and trade and other payables disclosed in notes 15, 18 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.

	30 June 2015 R'000	30 June 2014 R'000
Gearing ratio		
Total debt	**1 815 642**	741 171
Less: Cash and cash equivalents	**(220 385)**	(64 449)
Restricted cash	**(126 410)***	–
Net debt	**1 468 847**	676 355
Equity	**2 880 999**	1 592 366
Debt to equity ratio (%)	**51,0**	42,5

** Restricted cash relates to a 4,5 year rental prepayment. The funds are placed on a secure deposit and funds are withdrawn on a quarterly basis when rentals are due.*

4. Standards not yet adopted

Statement	Effective for accounting periods beginning on or after	Summary of key points	Impact on the Group
IFRS 9 Financial Instruments	1 January 2018 (i.e. for the financial year ending 30 June 2019)	On 24 July 2014 the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial instruments: Recognition and Measurement.	The impact on the Group has not yet been estimated. The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, early adoption is permitted. This standard will have a significant impact on the Group, which will include changes in the measurement bases of the Group's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an incurred loss model from IAS 39 to an expected credit loss model, which is expected to increase the provision for bad debts recognised in the Group.
IFRS 15 Revenue from Contracts with Customers	The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted under IFRS.	This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Services. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.	This new standard will most likely not have a significant impact on the Group. The Group is currently in the process of performing a more detailed assessment of the impact of this standard on the Group and will provide more information in the year ending 30 June 2016 financial statements. The Group was not able to fully assess the impact by 30 June 2015.
IAS 1 Amendments Disclosure Initiatives	1 January 2016 (i.e. for the financial year ending 30 June 2017)	The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements. It also clarifies presentation principles applicable to the order of notes, OCI and equity accounted investors and subtotals presented in the statement of financial position and statement of profit or loss and other comprehensive income.	The impact on the Group has not been estimated.

The following revised amendments to standards and interpretations are not applicable to the business of the Group and will therefore have no impact on future financial statements:

- IFRS 10, IFRS 12 and IAS 28 Amendments – Investment entities;
- IRFS 11 Amendments – Accounting for acquisitions of interests in joint operations;
- IFRS 14 Regulatory deferral accounts;
- IAS 16 and IAS 38 Amendments – Clarification of acceptable methods of depreciation and amortisation;
- IAS 16 and IAS 41 Amendments – Agriculture: Bearer plants;
- IAS 28 and IFRS 10 Amendments – Sale or contribution of assets between an investor and its associates or joint venture; and
- IAS 27 Amendments – Equity method in separate financial statements.

5. Investment property

	Cost R'000	Cumulative fair value adjustments R'000	Cumulative straight-line rental adjustments R'000	Cumulative foreign currency adjustment R'000	Carrying amount R'000
30 June 2015					
Investment property	**3 331 046**	**723 431**	**55 550**	**36 358**	**4 146 385**
30 June 2014					
Investment property	1 591 737	577 760	33 028	–	2 202 525
Reconciliation of movement in carrying amount of investment property:					
30 June 2015					
Opening carrying amount	**1 591 737**	**577 760**	**33 028**	**–**	**2 202 525**
Additions through business combinations	**1 751 504**	**–**	**14 443**	**–**	**1 765 947**
Other additions	**7 184**	**–**	**–**	**–**	**7 184**
Straight-line rental adjustment	**–**	**–**	**9 590**	**–**	**9 590**
Fair value adjustments	**–**	**165 748**	**–**	**–**	**165 748**
Other disposals	**(19 379)**	**(20 077)**	**(1 844)**	**–**	**(41 300)**
Foreign currency translation difference	**–**	**–**	**333**	**36 358**	**36 691**
Closing carrying amount	**3 331 046**	**723 431**	**55 550**	**36 358**	**4 146 385**
30 June 2014					
Opening carrying amount	1 065 467	470 949	31 251	–	1 567 667
Additions through business combinations	544 425	–	–	–	544 425
Other additions	1 851	–	–	–	1 851
Straight-line rental adjustment	–	–	1 839	–	1 839
Fair value adjustments	–	110 743		–	110 747
Transfer to investment property reclassified as held-for-sale	(20 006)	(3 932)	(62)	–	(24 000)
Closing carrying amount	1 591 737	577 760	33 028	–	2 202 525

Investment property comprises a number of commercial properties that are leased to third parties. Each of the leases contains non-cancellable periods of between three and ten years. Subsequent renewals are negotiated with the lessee. No contingent rents are charged. Investment properties are encumbered as per note 18.

5. Investment property continued

Details of valuation

The effective date of revaluations was 30 June 2015. The revaluations were performed independently by MRB Gibbons (National Diploma in Property Valuation, MIV(SA)) of Mills Fitchet Magnus Penny Proprietary Limited, Mr TLJ Behrens (Registered Professionals Association Valuer with SA Council at the Property Valuation Professionals) from Real Insights Property Limited and Mr R Fourie (member of the Royal Institute of Chartered Surveyors) from Lambert Smith Hampton Group Limited who have the appropriate experience in valuing investment property in the locations where the investment property is situated. It is the Group's policy to revalue all properties on an annual basis. The value of properties owned for less than a year is deemed to approximate cost. In determining the value for fair value purposes, the traditional discounted cash flow method of valuation has been used except for Sable Place Properties 121 Proprietary Limited which was done by capitalisation method. The discount and exit capitalisation rates are determined by reference to comparable sales and appropriate surveys prepared by the Investment Property Databank and benchmarked against other comparable valuations after consultation with experienced and informed people in the property industry including other valuers, brokers and investors. The discount and capitalisation rates are dependent on a number of factors, such as location, the condition of the properties, current market conditions, the lease covenant and the risk inherent in the property.

The inputs into the valuation model were as follows:

- Discount rates which ranged between 12,5% and 15,0%;
- Exit capitalisation rates which ranged between 8,75% and 11,0%;
- Estimated vacancy rates which ranged between 0% and 10%; and
- Estimated lease escalation rates which default to market growth of 5,5%.

The valuation of investment properties is extremely sensitive to changes in certain inputs to the model. These include:

- the discount rate and exit capitalisation rate;
- the vacancy profile; and
- lease escalation rates.

All the properties are categorised as level 3 in the fair value hierarchy. The movement in the carrying value of investment property is set out earlier in the note.

Investment property direct property expenses amounted to R127,3 million (2014: R89,6 million).

An decrease in the yield (which includes vacancies and lease escalations) of 1% (2014: 0,5%) will change the value of the portfolio to R4 427 130 000 (2014: R2 356 650 017) and a 1% (2014: 0,5%) increase to R3 550 940 000 (2014: R2 123 673 077).

The average property yield of the portfolio is 8,4% for 2015.

5. Investment property continued

Register of investment property

Name of property	GLA* of property in m²	Address of property
Gauteng Province		
Perseus Park	**13 837**	Erf 408 and 482 Lynnwood Ridge, Township Reg. Div. JR, Gauteng
Parthenon Park	**4 454**	Remainder extension of Erf 556 Murrayfield Extension 1 Township Reg. Div. JR
Rynlal Building	**5 881**	Erf 918 Lynnwood Township Reg. Div. JR, Gauteng
Linga Longa	**597**	Portion 5 Erf 7 Wierda Valley, Township Reg. Div. IR, Gauteng
Vodacom Park	**5 101**	Portion 6 of Erf 7 Wierda Valley Township Reg. Div. IR, Gauteng and Portion 263 (Portion of Portion 245) of Farm Syferfontein 51, Reg. Div. IR, Gauteng Portion 263 (a portion of 245)
Investment Place	**6 301**	Erf 325 and 326 Hyde Park Ext 56, Reg. Div. IR, Gauteng and Portion 747 of the farm Zandfontein 42, Reg. Div. IR, Gauteng
Belvedere Place	**10 873**	Erf 1322 Sunninghill Ext. 115, Township Reg. Div. IR, Gauteng
ACS House	**1 743**	Portion 8 of Erf 181 Edenburg Township Reg. Div. IR, Gauteng
Standard Bank Hyde Park	**2 038**	Erf 21 Hyde Park Township, Reg. Div. IR, Gauteng
Standard Bank Randburg	**8 144**	Erf 1865 Ferndale Township Reg. Div. IQ, Gauteng
Standard Bank Springs	**1 916**	Erf 1978 Springs
Benstra Building	**7 818**	Erf 1033 Arcadia Reg. Div. IR, Tshwane
Murrayfield Forum	**1 417**	Portion 1 of Erf 556, Murrayfield Ext. 1 Pretoria
Greenstone Hill Office Park: buildings 2, 4, 5, 6, 9, 10 – 15 and coffee shop	**19 493**	Section No. 13, 14 and 15 of Sectional Plan No SS 1149/2008, Section No. 20, 21, and 22 of Sectional Plan No SS 599/2009 and SS1149/2008, Section No. 23, Plan No. SS 0065/2011, Sections No 24, 25 and 26 of Sectional Plan No SS 618/2013, Section No 27 and 28 of Sectional Plan No SS 620/2013 of Greenstone Hill Office Park, Ext 22, Erf 1836 and 1837
Vunani Office Park	**8 621**	Erven 132, 133, 134, the remaining extent of Erf 135, Portion 1 of Erf 135, Portion 3 of Erf 184 and Portion 4 of Erf 184, Athol Extension 12 and Erf 6, Simba Township, Registration Division IR
Rivonia Business Centre	**4 886**	Erf 155 Edenburg
Wellington Road	**10 019**	Erf 566, Portion 1 of Erf 567, Remainder Erf 567, Portion 1 of Erf 568 and Remainder of Erf 568 Parktown, Registration Division IR, Gauteng
Bryanston Gate Office Park	**16 652**	Erf 5086 and 680, Bryanston
Toolquip, Selby	**10 419**	Erf 544 Selby extension 22, Erf 545, Selby extension 22, Portion 1 of Erf 19, Crown City extension 6 and Erf 20, Crown City extension 6, Registration Division IR, Gauteng
Scott Street	**4 329**	Portion 22 of Erf 13, Waverley
Edcon	**27 472**	Erven 28, 29, 30, 31, 32 and 33 New Centre, Johannesburg, Registered Division IR, Gauteng
Alrode	**16 557**	Portion 125 (a portion of Portion 29) of Farm Roodekop, 135, situated at 5 Liebenberg Road, Roodekop
Babcock Building	**3 865**	Erf 2615, Bedfordview extension 446
54 Bompas Road	**750**	Erf 27 Dunkeld
Blue Strata House	**1 806**	Portion 3 of Erf 8, Wierda Valley
Hermanstad Industrial Park	**44 029**	Erf 504, Hermanstad extension 2
Kempstar Mall	**6 019**	Remaining extent of Portion 47 of the Farm Zuurfontein No 33; and remaining extent of Portion 114 (a portion of Portion 8) of the Farm Zuurfontein No 33, Registered Division IR, Gauteng
Woodmead Commercial Park	**13 196**	Erf 531, Woodmead extension 5, City of Johannesburg; and Erf 532, Woodmead extension 5, City of Johannesburg
Elsecor Industrial Park 15 Ampere Close	**1 252**	Erf 514 Kya Sand Ext 42, Township, Registration Division IR, Gauteng
Electron Close 15 Vervoer Street	**1 363**	Erf 51 Kya Sand, Township, Registration Division IR, Gauteng
Westsands Industrial Park 21 Staal Street	**2 325**	Erf 21 Kya Sand, Township, Registration Division IR, Gauteng
Prairie Industrial Park 23 Staal Street	**3 933**	Erf 23 Kya Sand, Township, Registration Division IR, Gauteng
Verona Industrial Park 64 Vervoer Street	**2 853**	Erf 64 Kya Sand, Township, Registration Division IR, Gauteng
Eastsands Industrial Park 330 Ampere Street	**1 183**	Erf 513 Kya Sand Ext 29, Township, Registration Division IR, Gauteng
Sub total	**271 142**	

5. Investment property continued

Register of investment property continued

Name of property	GLA* of property in m²	Address of property
Eastern Cape Province		
Lion Roars Office Park	**4 117**	Erf 11322 and 1698, Walmer, Port Elizabeth
Sub total	**4 117**	
Western Cape Province		
Vunani Chambers	**6 981**	Erf 10191 – Sections 4, 8, 9, 14, 15, 21, 29-36, 45, 53-57, 62, 64-69, 71, 77, 78, 86-89, 95, 102, 105-115, 121, 123, 129, 133, 137-140, 168, 171 – 177, 185, 191-193, 202, 206-222, 224, 226, 228, 229, 234, 238, 240, 241, 249, 259-261, 277, 288. In addition, Exclusive use area T2 – T4 and T8 – T9. and Sections 190 and 227, plus the parking bays in respect of Sections 278 , 279, 280, 281, 282, 283 and 284 of the sectional title scheme known as Wale Street Chambers (described on SG Diagram 132/1996) Cape Town
14 Loop Street	**2 323**	Erf 1570, 1571, 1572, 1573 and 1574, Western Cape
Foretrust	**26 349**	Erf 172 Roggebaai, City of Cape Town
St George's Mall	**1 236**	Sections 13 and 50. Exclusive use areas 322, 323, 324, 325, 326, 327, 567, 568, 569, 576, 577 and 578 and an undivided share in the property apportioned to the above sections and six single undercover parking bays and three tandem undercover parking bays in sectional title scheme numbered SS2134/2006 and SS267/2008 known as 5 St George's Mall, Cape Town
Brickfield Salt River Cape Town#	**5 251**	Erf 13753 Salt River
Sub total	**42 140**	
Northern Cape Province		
Standard Bank Upington	**1 181**	Erf 2271 Upington, Reg. Div. Gordonia Road, Northern Cape
Sub total	**1 181**	
KwaZulu-Natal Province		
Standard Bank Harrismith	**1 086**	Erf 1902 Situated in the Township Harrismith, Reg. Div. Harrismith Road
Standard Bank Stanger	**1 253**	Erf 146 Stanger, Reg. Div. KwaZulu-Natal
Standard Bank Ladysmith	**1 994**	The remainder of Erf 726 Ladysmith, Reg. Div. Gs, KwaZulu-Natal
Sub total	**4 333**	
North West Province		
Mabe Business Park	**1 642**	Erf 114 Waterval East Extension 4, Rustenburg
Xstrata	**3 720**	Portion 19 of Erf 1833 Rustenburg Extension 4
Sub total	**5 362**	
Free State		
Quintiles	**3 404**	Portion 121 of Erf 13021, Bloemfontein Extension 77
Sub total	**3 404**	
England		
Booker Warehouse	**3 826**	Block E, Crown Industrial Estate, Angelsey Road, Burton
Stanford House	**5 090**	Stanford House, Science Park South, Garrett Field, Birchwood, Warrington
Tesco Building	**9 323**	Tesco Building, Q8 Quorum Business Park, Longbenton, Newcastle
Bonmarché and Poundland	**2 601**	191 – 195 Victoria Centre, Parliament Street, Nottingham
Sub total	**20 840**	
Wales		
Parc Pensarn	**1 783**	Units of Parc Pensarn Retail Park Myrtle Hill, Pensarn, Carmarthen, Carmarthenshire
	1 783	
Total	**354 302**	
Less: Classified as held-for-sale	**(5 251)**	
	349 051	

** GLA – Gross lettable area*
 # Classified as held for sale.

5. Investment property continued

Register of investment property continued

Name of property	Address of property	GLA* of property in m^2	Weighted average gross rental R/m^2	**Independent valuation as at 30 June 2015 R'000**	Valuation per square metre R	Purchase price R'000	Effective date of acquisition
Gauteng Province							
Perseus Park	Lynnwood Ridge	13 837	122,85	**175 700**	12 698	60 700	29 Sep 2006
Parthenon Park	Murrayfield, Tshwane	4 454	100,80	**44 175**	9 918	12 900	29 Sep 2006
Rynlal Building	Lynnwood,	5 881	100,28	**44 000**	7 482	16 950	29 Sep 2006
Linga Longa	Wierda Valley, Sandton	597	108,66	**7 500**	12 563	5 000	2 Oct 2006
Vodacom Park	Wierda Valley, Sandton	5 101	123,37	**140 000**	27 446	44 300	2 Oct 2006
Investment Place	Hyde Park, Sandton	6 301	158,25	**80 000**	12 696	48 000	2 Oct 2006
Belvedere Place	Sunninghill	10 873	135,49	**117 200**	10 779	70 400	2 Oct 2006
ACS House	Edenburg, Rivonia	1 743	130,71	**16 500**	9 466	6 800	2 Oct 2006
Standard Bank Hyde Park	Hyde Park, Sandton	2 038	140,93	**39 500**	19 381	23 800	15 Nov 2006
Standard Bank Randburg	Ferndale, Randburg	8 144	74,13	**45 000**	5 526	24 500	15 Nov 2006
Standard Bank Springs	Springs	1 916	71,70	**12 900**	6 733	8 700	30 Nov 2006
Benstra Building	Arcadia, Tshwane	7 818	118,39	**75 000**	9 593	41 200	29 Sep 2006
Murrayfield Forum	Murrayfield, Tshwane	1 417	95,91	**7 750**	5 469	6 700	21 Dec 2006
Greenstone Hill Office Park building 9	Greenstone Hill, Edenvale	1 827	131,51	**29 500**	16 147	18 000	11 Aug 2011
Greenstone Hill Office Park: buildings 2 and 6	Greenstone Hill, Edenvale	3 026	179,75	**50 170**	16 580	54 348	30 Oct 2013
Greenstone Hill Office Park: buildings 4, 5, 10 – 15 and coffee shop	Greenstone Hill, Edenvale	14 640	149,87	**235 232**	16 068	213 577	1 Aug 2013
Vunani Office Park	Athol, Sandton	8 621	172,86	**128 050**	14 853	104 400	11 Aug 2011
Rivonia Business Centre	Edenburg, Rivonia	4 886	135,29	**90 000**	18 420	64 500	6 Nov 2012
Wellington Road	Parktown, Johannesburg	10 019	128,63	**152 000**	15 171	102 500	17 Mar 2014
Toolquip, Selby	Johannesburg	10 419	40,84	**56 100**	5 384	52 737	24 July 2014
Scott Street	Waverley	4 329	224,77	**110 000**	25 410	107 805	18 Sept 2014
Edcon	Johannesburg	27 472	48,76	**161 500**	5 879	153 948	30 Oct 2014
Alrode	Roodekop	16 557	30,37	**52 100**	3 147	51 138	10 June 2015
Babcock Building	Bedfordview	3 865	87,28	**52 000**	13 454	48 326	12 Sept 2014
54 Bompas Road	Dunkeld	750	149,10	**11 000**	16 667	10 061	31 Dec 2014
Bryanston Gate Office Park	Bryanston	16 652	130,12	**200 000**	12 011	174 000	1 Apr 2014
Blue Strata House	Wierda Valley	1 806	175,77	**38 550**	21 346	40 696	31 Dec 2014
Hermanstad Industrial Park	Hermanstad	44 029	28,42	**138 700**	3 150	148 074	31 Dec 2014
Kempstar Mall	Zuurfontein	6 019	154,12	**108 850**	18 084	107 454	31 Dec 2014
Woodmead Commercial Park	Johannesburg	13 196	87,28	**148 171**	11 228	146 280	31 Dec 2014
15 Ampere Close	Kya Sand	1 252	46,50	**5 500**	4 393	4 690	31 Dec 2014
15 Vervoer Street	Kya Sand	1 363	34,68	**4 300**	3 155	4 341	31 Dec 2014
21 Staal Street	Kya Sand	2 325	42,33	**8 600**	3 699	4 157	31 Dec 2014
23 Staal Street	Kya Sand	3 933	30,25	**9 900**	2 517	7 981	31 Dec 2014
64 Vervoer Street	Kya Sand	2 853	31,59	**9 650**	3 382	12 047	31 Dec 2014
330 Ampere Street	Kya Sand	1 183	41,31	**4 100**	3 466	7 752	31 Dec 2014
Sub total		271 142		**2 609 198**		2 006 025	

** Gross lettable area.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2015

5. Investment property continued

Register of investment property continued

Name of property	Address of property	GLA* of property in m^2	Weighted average gross rental R/m^2	**Independent valuation as at 30 June 2015 R'000**	Valuation per square metre R	Purchase price R'000	Effective date of acquisition
Eastern Cape Province							
Lion Roars Office Park	Walmer, Port Elizabeth	4 117	133,11	**52 500**	12 752	52 100	6 Dec 2011
Sub total		4 117		**52 500**		52 100	
Northern Cape Province							
Standard Bank Upington	Upington	1 181	89,86	**11 750**	9 949	4 660	15 Nov 2006
Sub total		1 181		**11 750**		4 660	
KwaZulu-Natal Province							
Standard Bank Harrismith	Harrismith	1 086	80,47	**8 500**	7 827	2 500	15 Nov 2006
Standard Bank Stanger	Stanger	1 253	91,15	**11 500**	9 178	5 700	15 Nov 2006
Standard Bank Ladysmith	Ladysmith	1 994	81,59	**14 500**	7 272	5 500	15 Nov 2006
Sub total		4 333		**34 500**		13 700	
North West Province							
Mabe Business Park	Rustenburg	1 642	194,23	**26 000**	15 834	24 000	6 Dec 2011
Xstrata	Rustenburg	3 720	101,08	**38 000**	10 215	28 982	15 Dec 2011
Sub total		5 362		**64 000**		52 982	
Free State							
Quintiles	Bloemfontein	3 404	126,47	**53 000**	15 570	47 500	18 Sep 2014
Sub total		3 404		**53 000**		47 500	
Western Cape Province							
Vunani Chambers	CBD, Cape Town	6 981	127,53	**54 050**	7 741	14 100	29 Sept 2006
14 Loop Street	CBD, Cape Town	2 323	177,43	**41 000**	17 650	37 100	11 Aug 2011
Foretrust	Roggebaai, Cape Town	26 349	158,13	**385 500**	14 631	249 500	14 Feb 2012
St George's Mall	Cape Town	1 236	165,22	**23 300**	18 851	21 130	18 Sept 2014
Brickfield#	Cape Town	5 251	47,84	**24 000**	4 571	20 000	7 Aug 2012
Sub total		42 140		**527 850**		341 830	
England							
Booker Warehouse	Burton-upon-Trent	3 826	489,54	**31 302**	8 181	29 160	27 Feb 2015
Stanford House	Warrington	5 090	314,91	**239 908**	47 133	223 872	27 Feb 2015
Bonmarché and Poundland	Nottingham	2 601	306,30	**133 829**	51 453	129 511	27 May 2015
Tesco Building	Newcastle	9 323	256,40	**361 603**	38 786	349 932	27 May 2015
Sub total		20 840		**766 642**		732 475	
Wales							
Parc Pensarn	Carmarthen	1 783	191,20	**59 267**	33 240	57 355	27 May 2015
Sub total		1 783		**59 267**		57 355	
Total		354 302		**4 178 707**		3 308 607	
Less: Classified as held-for-sale							
#Brickfield		(5 251)		**(24 000)**			
Total		349 051		**4 154 707**			

** Gross lettable area.*

 # Classified as held-for-sale.

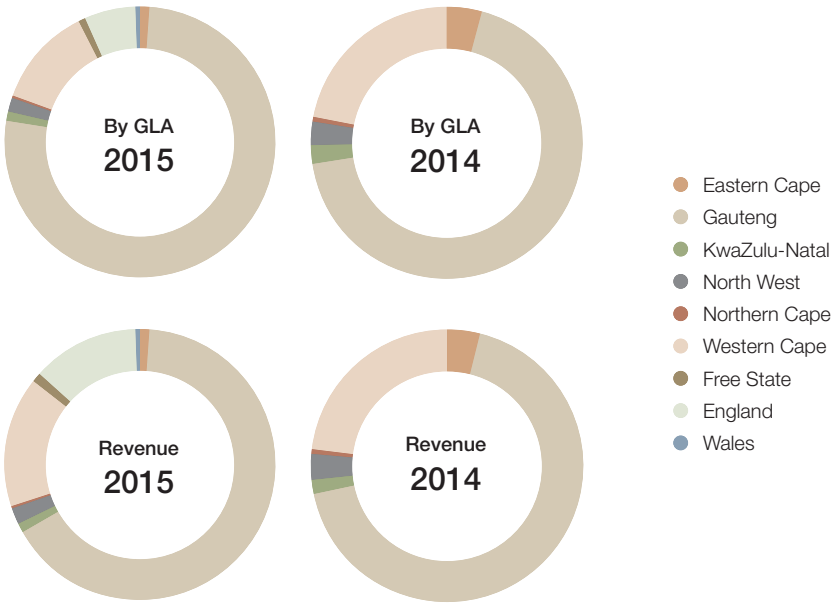
5. Investment property continued

Portfolio information

Geographical profile	GLA* m²	GLA* %	Revenue per month^ R'000	Revenue^ %
30 June 2015				
Eastern Cape Province	**4 117**	**1,2**	**438**	**1,2**
Gauteng Province	**271 142**	**76,4**	**23 421**	**65,7**
KwaZulu-Natal Province	**4 333**	**1,2**	**358**	**1,0**
North West Province	**5 362**	**1,5**	**695**	**2,0**
Northern Cape Province	**1 181**	**0,3**	**106**	**0,3**
Western Cape Province	**42 140**	**12,0**	**5 527**	**15,5**
Free State	**3 404**	**1,0**	**430**	**1,2**
England	**20 840**	**5,9**	**4 488**	**12,6**
Wales	**1 783**	**0,5**	**161**	**0,5**
	354 302	**100,0**	**35 624**	**100,0**
Less: Property held-for-sale (Western Cape Province)	**(5 251)**		**(248)**	
	349 051		**35 376**	
30 June 2014				
Eastern Cape Province	8 102	4,3	825	4,1
Gauteng Province	129 803	68,3	13 799	67,9
KwaZulu-Natal Province	4 333	2,3	334	1,6
North West Province	5 362	2,8	628	3,1
Northern Cape Province	1 181	0,6	98	0,5
Western Cape Province	41 335	21,7	4 651	22,9
	190 116	100,0	20 335	100,0
Less: Property held-for-sale (Western Cape Province)	(5 251)		(248)	
	184 865		20 087	

** Gross lettable area.*
^ Calculations include property held-for-sale.

Geographic profile



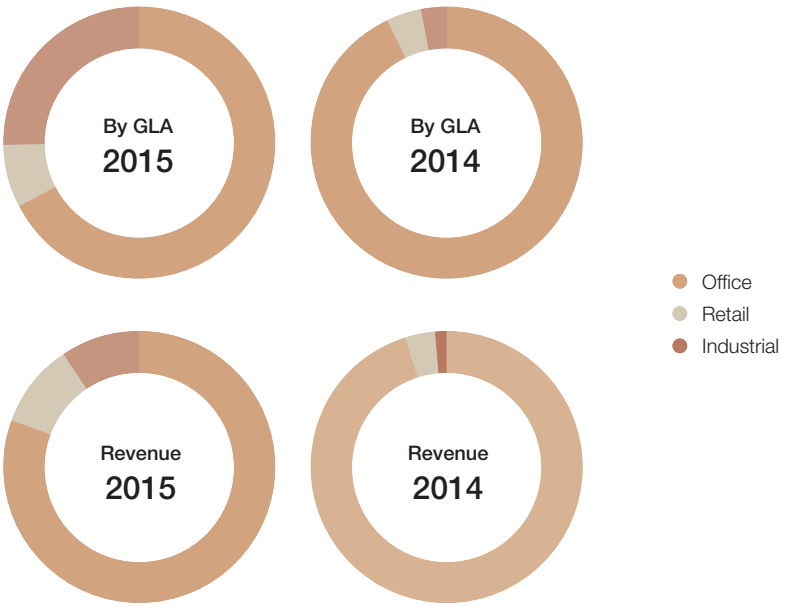
5. Investment property continued

Portfolio information continued

Sector profile	Weighted average rental m²	Weighted average rental escalation profile %	GLA m²	GLA %	Revenue per month R'000	Revenue %
30 June 2015						
Office	**131,2**	**7,68**	**235 160**	**67,4**	**28 554**	**80,7**
Retail	**129,6**	**5,16**	**26 149**	**7,5**	**3 544**	**10,0**
Industrial	**51,5**	**7,62**	**87 742**	**25,1**	**3 278**	**9,3**
	111,3	**6,10**	**349 051***	**100,0**	**35 376**	**100,0**
30 June 2014						
Office	109,5	–	176 548	92,9	19 328	95,0
Retail	92,9	–	8 317	4,3	773	3,8
Industrial	44,6	–	5 251	2,8	234	1,2
	107,0	–	190 116	100,0	20 335	100,0

** The GLA and revenue excludes the Brickfield building which was disposed of in July 2015 (the building represents a GLA of 5 251m², GLA of 1,5% in offices, rental of R2,9 million per annum.*

Sector profile



5. Investment property continued

Portfolio information continued

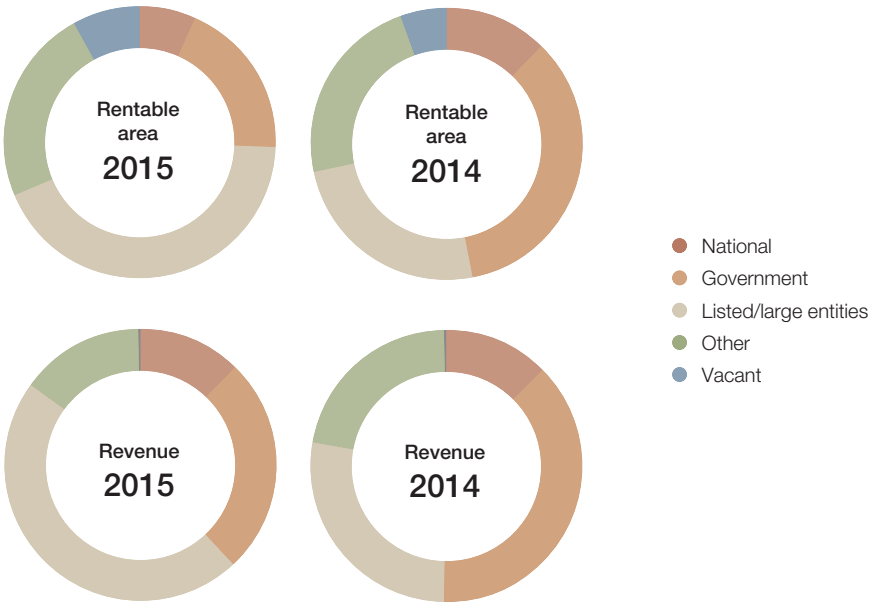
Tenant spread	Rentable area m²	Rentable area %	Revenue per month R'000	Revenue %
30 June 2015				
National	**23 951**	**6,9**	**4 350**	**12,3**
Government	**66 009**	**18,9**	**9 201**	**26,0**
Listed/large entities	**150 220**	**43,0**	**16 604**	**46,9**
Other	**81 255**	**23,3**	**5 221**	**14,8**
Vacant	**27 616**	**7,9**	**–**	**–**
	349 051*	**100,0**	**35 376**	**100,0**
30 June 2014				
National	23 572	12,4	2 627	12,9
Government	65 790	34,6	7 878	38,7
Listed/large entities	47 152	24,8	5 690	28,0
Other	43 591	22,9	4 140	22,4
Vacant	10 011	5,3	–	–
	190 116	100,0	20 335	100,0

** The rentable area and revenue exclude Brickfield that was sold in July 2015. The building would have been included in other and represents a rentable area of 5 251m² and revenue of R2,9 million per annum.*

The categories above are representative of the Group risk profile. Government is made up of government, national and provincial public entities and State Owned Companies.

National is made up of large entities operating nationally. Listed/large entities is made up of listed companies, large franchises and large blue chip entities. Other represents 348 tenants.

Tenant spread (%)



5. Investment property continued

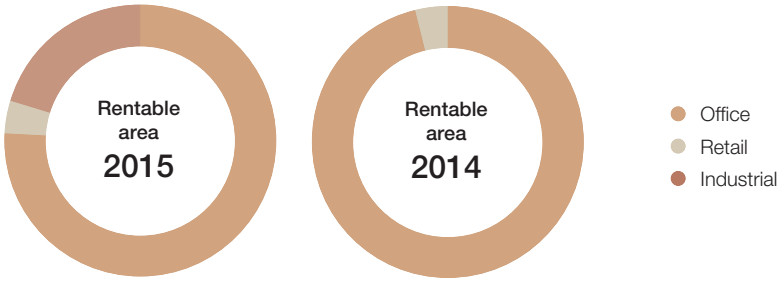
Portfolio information continued

	30 June 2015		30 June 2014	
Vacancy profile	**Rentable area m²**	**Rentable area %**	Rentable area m²	Rentable area %
Office	**21 257**	**6,0**	9 780	5,1
Retail	**903**	**0,3**	231	0,2
Industrial	**5 456**	**1,6**	–	–
	27 616	**7,9**	10 011	5,3

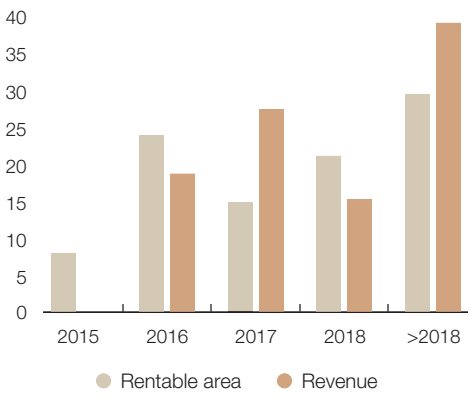
Lease expiry profile per annum	**2015**	**2016**	**2017**	**2018**	**>2018**
30 June 2015					
Rentable area %	**7,9**	**21,9**	**14,5**	**19,9**	**35,8**
Revenue (%)	**–**	**18,6**	**27,3**	**15,2**	**38,9**

	2014	2015	2016	>2017	>2017
30 June 2014					
Rentable area %	5,3	12,2	31,9	18,5	32,1
Revenue (%)	–	12,4	31,9	18,4	37,3

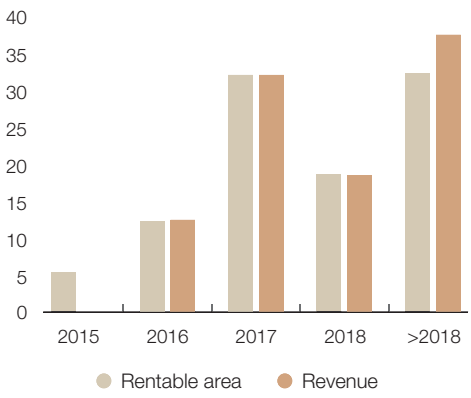
Portfolio information (%)



Leasy expiry profile per annum (%) – 2015



Leasy expiry profile per annum (%) – 2014



6. Property, plant and equipment

	Cost R'000	Accumulated depreciation R'000	Carrying amount R'000
30 June 2015			
Equipment	**8 196**	**(5 067)**	**3 129**
Computer equipment	**104**	**(104)**	**–**
Tenant installation	**17 207**	**(12 014)**	**5 193**
	25 507	**(17 185)**	**8 322**
30 June 2014			
Equipment	6 851	(3 933)	2 918
Computer equipment	104	(104)	–
Tenant installation	14 021	(9 014)	5 007
	20 976	(13 051)	7 925

Reconciliation of movement in carrying amount of property, plant and equipment

	Opening carrying amount R'000	Additions R'000	Depreciation R'000	Closing carrying amount R'000
30 June 2015				
Equipment	**2 918**	**1 345**	**(1 134)**	**3 129**
Tenant installation	**5 007**	**3 148**	**(2 962)**	**5 193**
	7 925	**4 493**	**(4 096)**	**8 322**
30 June 2014				
Equipment	3 466	697	(1 245)	2 918
Computer equipment	–	–	–	–
Tenant installation	3 268	4 685	(2 946)	5 007
	6 734	5 382	(4 191)	7 925

7. Goodwill

	30 June 2015 R'000	30 June 2014 R'000
Goodwill arising on acquisition during the year		–
Gladstone Investment Holdings Limited	**23 444**	–
Zeya Investment Holdings Limited	**7 074**	–
Chobe Investment Holdings Limited	**29 911**	–
Chevelon Investment Holdings Limited	**16 588**	–
Impairment of goodwill	**–**	–
Balance	**77 018**	–

The Group tests goodwill for impairment annually.

The determination of the recoverable amount of goodwill was based on its value in use. Refer to note 33.

8. Other non-current assets

Other non-current assets consist of commissions raised on property transactions as well as a loan to the Vunani Chambers' Body Corporate in order to refurbish the existing lifts.

	30 June 2015 R'000	30 June 2014 R'000
Opening balance	**5 781**	7 028
Additions	**4 056**	532
Acquired through business combinations	**819**	–
Amortisation	**(1 733)**	(1 779)
Closing balance	**8 923**	5 781
Commissions capitalised	**6 939**	2 722
Loan to Vunani Chambers	**3 058**	3 905
	9 997	6 627
Less: Current portion	**(1 074)**	(846)
	8 923	5 781

9. Restricted cash

	30 June 2015 R'000	30 June 2014 R'000
Restricted cash balances are as follows:		–
Current portion	**28 089**	**–**
Non-current portion	**98 321**	**–**
Closing balance	**126 410**	**–**

** Restricted cash relates to prepaid rental, which will be drawn down in equal instalments over a period of 4,5 years. The prepaid rental is included in non-current and current other financial liabilities.*

10. Deferred tax

	30 June 2015 R'000	30 June 2014 R'000
Deferred tax asset	**–**	3 755
Deferred tax liability	**(3 615)**	–
	(3 615)	3 755
Deferred tax asset/(liability) comprises:		
Income received in advance	**–**	3 835
Interest rate swap	**–**	410
Commission	**–**	(493)
Impairment allowance	**–**	226
Available tax losses	**2 603**	–
Investment Property S13 Quin building allowance	**(6 218)**	–
Prepayments	**–**	(223)
Closing balance	**(3 615)**	3 755
The movement in deferred tax during the year is as follows:		
Opening balance	**3 755**	4 587
Recognised in profit or loss	**(7 370)**	(832)
Closing balance	**(3 615)**	3 755

With effect from 1 July 2013, Texton was converted to a REIT. As such, the Group will not be liable for capital gains tax. Deferred tax on investment properties, to the extent where no allowances have been claimed, and the related straight-line rental adjustment has been reduced to nil as capital gains tax will no longer apply.

Deferred tax assets in respect of available tax losses and deductible temporary differences have been recognised to the extent that the directors believe that future taxable profits will be available to enable the Group and its subsidiary companies to utilise the available tax losses and deductible temporary differences.

11. Trade and other receivables

	30 June 2015 R'000	30 June 2014 R'000
Trade and other receivables comprise:		
Trade receivables	**19 274**	2 221
Prepayments	**4 874**	798
Deposits	**32 875**	1 891
Income accruals	**12 444**	9 728
Adjustment accounts relating to acquisition	**3 589**	3 456
Other receivables	**13 771**	6 806
Allowance for impairment	**(1 645)**	(1 076)
	85 182	23 824
Reconciliation of movement in allowance for impairment		
Opening balance	**(1 076)**	(2 480)
Acquired through business combinations	**(1 292)**	–
Utilised	**2 485**	241
Allowance created	**(1 762)**	(1 163)
Closing balance	**(1 645)**	(1 076)

The individually impaired receivables relate mainly to non-national tenants which have been summonsed for non-payment of rentals, or who have vacated the premises due to difficult economic conditions. A portion of the impaired receivables is expected to be recovered.

The ageing of the allowance for impairment in respect of the impaired receivables is as follows:

	30 June 2015		30 June 2014	
	Gross R'000	Impairment R'000	Gross R'000	Impairment R'000
Not past due	**17 354**	**(233)**	198	–
Past due: 1 – 30 days	**278**	**(167)**	24	(1)
Past due: 31 – 60 days	**184**	**(117)**	48	(19)
Past due: 61 – 90 days	**144**	**(118)**	61	(21)
Past due: 91 – 120 days	**1 314**	**(1 010)**	1 890	(1 035)
	19 274	**(1 645)**	2 221	(1 076)

At the reporting date there were no specific concentrations of credit risk.

Trade receivables that are due and that are subject to a dispute are not considered impaired until the resolution of the dispute. As of 30 June 2015 trade receivables of R508 000 (2014: R947 000) were past due but not impaired. This relates to a number of independent customers for whom there is no recent history of default.

12. Investment property classified as held for sale

	30 June 2015 R'000	30 June 2014 R'000
Opening balance	**24 000**	–
Transferred from investment property (note 5)		24 000
Closing fair value of property held for sale	**24 000**	24 000
Cost	**20 006**	20 006
Cumulative straight line adjustment	**62**	62
Cumulative fair value adjustment	**3 932**	3 932

Investment property classified as held for sale comprises Brickfield, situated on Erf 13753, Salt River. The property was disposed of subsequent to year-end. This is reported as part of the Western Cape segment in the segment report. The sale was delayed due to difficulty in resolving transfer requirements with external parties.

13. Cash and cash equivalents

	30 June 2015 R'000	30 June 2014 R'000
Cash and cash equivalents comprise:		
Bank balances	**164 545**	2 224
Property bank*	**55 840**	62 225
	220 385	64 449

** Property bank represents bank accounts managed by the Property Management companies for collection of rentals and payments of property expenses.*

14. Stated capital

	30 June 2015 R'000	30 June 2014 R'000
Authorised		
2 000 000 000 (2014: 2 000 000 000) ordinary shares of no par value		
Issued		
276 066 766 (2014: 169 122 019) ordinary shares of no par value	**2 137 921**	1 031 496
8 643 042 treasury shares of no par value (2014: 8 911 917)	**(100 000)**	(86 060)
	2 037 921	945 436

8 911 917 treasury shares at R9,65 (R86 million) were allotted as part of the purchase price of Scott Street, Waverley.

8 643 042 relates to shares issued to the Employee Share Scheme at R11,57 which have been accounted for as treasury shares.

The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share.

	30 June 2015 R'000	30 June 2014 R'000
Share capital		
Balance at beginning of the year		
Ordinary shares of no par value 160 210 102 (2014: Nil)	**945 436**	–
Issued for cash 50 013 850 (2014: Nil)	**628 035**	
Issued as part of business combinations 57 199 772 (2014: Nil)	**464 450**	
Conversion of shares with par value to no par value shares Nil (2014: 169 122 019)	**–**	422
Conversion of debenture linked unit to no par value shares	**–**	1 031 074
Less: Treasury shares acquired Nil (2014: 8 911 917)	**–**	(86 060)
267 423 724 (2014: 160 210 102) ordinary shares of no par value	**2 037 921**	945 436
Par value shares		
Balance at beginning of the year	**–**	–
Nil (2014: 120 618 080) ordinary shares of 0,0025 par value	**–**	301
New ordinary shares issued for cash		
Nil (2014: 48 503 939)	**–**	121
Conversion to no par value shares		
Nil (2014: 169 122 019)	**–**	(422)
	–	–

15. Debenture and debenture premium

	30 June 2015 R'000	30 June 2014 R'000
120 618 080 unsecured, unsubordinated variable rate debentures of R2,4975 each	–	301 244
Debenture premium	–	289 353
Amortisation of debenture premium	–	(5 727)
Rights offer	–	446 204
Conversion to share capital	–	(1 031 074)
		–

On 26 August 2013, following the successful rights offer, 48 503 939 new linked units were issued with a face value of 250 cents each at a subscription price of 987,33 cents per share, in the ratio of 40,21283 rights offer units for every 100 units held. The subscription price of 987,33 cents per rights offer unit comprised a clean price of 938,07 cents determined as at 4 July 2013, being the day before the declaration announcement and total prepaid distributions of 49,26 cents. The clean price of 938,07 cents per rights offer unit represented a 7% discount to the 30-day volume weighted average clean price of shares listed on the JSE at the close of business on Thursday, 4 July 2013, being the last business day prior to the release of the declaration data announcement; and 4% discount to the closing clean price of shares on the JSE on Thursday, 4 July 2013.

On 16 January 2014, Texton's shareholders approved the delinking of the debentures from its ordinary shares and the conversion of the ordinary shares of R0,0025 each to shares of no par value. As at 30 June 2014, Texton's issued share capital comprised 169 122 019 ordinary shares of no par value.

In terms of the debenture trust deed, interest on the debentures was calculated in accordance with a distributable income formula. The debenture premium was amortised over 25 years and discounted at a rate equivalent to the 25-year South African government bond (R208) as at 30 June 2013 plus an appropriate risk premium.

16. Foreign currency translation reserve

The foreign currency translation reserve arose from the conversion of Gladstone Investment Holdings Limited, Heddon Investment Holdings Limited, Zeya Investment Holdings Limited, Chobe Investment Holdings Limited, Chevelon Investment Holdings Limited from their functional currency, Pound Sterling, to South African Rand on consolidation.

	30 June 2015 R'000	30 June 2014 R'000
Opening balance	**–**	–
Movement through other comprehensive income	**9 223**	–
Closing balance	**9 223**	–

The closing exchange rate at 30 June 2015 was R19,12:1GBP and the average exchange rate for the 12 months ended 30 June 2015 was R17,99:1GBP.

The average rate for the period from the date of acquisition of Gladstone Investment Holdings Limited and Heddon Investment Holdings Limited to year-end was R18,37:1GBP and the average rate for the period from the date of acquisition of Zeya Investment Holdings Limited, Chobe Investment Holdings Limited and Chevelon Investment Holdings Limited to year-end was R19,05:1GBP.

17. Share-based payment reserve*

	30 June 2015 R'000	30 June 2014 R'000
Opening balance	**–**	–
Share-based payment expense charged to profit or loss	**1 074**	–
Closing balance	**1 074**	–

** Relates to share-based payment cost arising on the issue of shares of the Texton Property Fund Limited Employee Incentive Scheme. The Fund issued a put option in favour of the Share Incentive Scheme Trust. The value of the option was determined through the Black & Scholes valuation method.*

No shares have been allocated to date.

18. Other financial liabilities

Summary

	30 June 2015 R'000	30 June 2014 R'000
Carried at amortised cost		
Standard Bank Limited	**540 549**	695 878
Investec Private Bank Limited	**523 225**	–
Nedbank Limited	**102 943**	–
Santander	**404 240**	–
Lease liability	**46 421**	–
Prepaid rent	**126 410**	–
	1 743 788	695 878
Carried at fair value through profit or loss		
Standard Bank	**2 970**	1 465
	1 746 758	697 343
Reconciliation of non-current and current portion		
Non-current portion	**1 716 145**	360 066
Current portion	**30 613**	337 277
	1 746 758	697 343

18. Other financial liabilities continued

The loans are secured by a mortgage bond over land and buildings in respect of all investment properties with the exception of the following properties which are unencumbered. The value of the unencumbered properties is R262,8 million (2014: R465,6 million).

- Alrode;
- Kempstar Mall;
- Blue Strata, Wierda Valley;
- 54 Bompas Road, Dunkeld;
- Verona – 23 Staal Street, Kya Sand;
- Electron – 330 Electron Close, Kya Sand;
- Prairie – 21 Staal Street, Kya Sand;
- Eastsands – 64 Vervoer Street, Kya Sand;
- Westsands – 15 Vervoer Street, Kya Sand;
- Elsecar – 15 Ampere Close, Kya Sand; and
- Brickfield.

Nedbank Limited

The following security has been executed and/or will remain in place and will continue to be held by Nedbank as security for the borrower's indebtedness to Nedbank and will remain in full force and effect:

- A deed of suretyship by Texton Property Fund Limited in favour of Nedbank for R106 000 000 whereby Texton Property Fund Limited binds itself as surety and co-principal debtor for the obligations;
- Nedbank, Texton Property Fund Limited Share Incentive Trust and Texton Property Fund Limited shall enter into an agreement in terms of which Nedbank is entitled to require Texton Property Fund Limited to repurchase the shares ceded to Nedbank; and
- The cession and pledge by the borrower of the listed shares in Texton Property Fund Limited.

	30 June 2015 R'000	30 June 2014 R'000
Standard Bank Limited		
Carried at amortised cost		
Standard Bank Limited loan (gross)	**943 065**	720 792
Less: Redraw portion of facility	**(403 281)**	(25 223)
Standard Bank Limited loan (net)	**539 784**[#]	695 569[#]
Finance costs capitalised to loan	**1 152**	530
Amortisation of finance costs	**(387)**	(221)
	540 549	695 878
Amounts to be settled within 12 months included in current liabilities	**–**	(337 277)
	540 549	358 601
Carried at fair value through profit or loss		
Standard Bank Limited		
Interest rate swap 1	**1 058**	1 018
Interest rate swap 2	**466**	225
Interest rate swap 3	**462**	222
Interest rate swap 4	**984**	–
	543 519	360 066

** Excess cash is paid into the facilities on a monthly basis and when required for the distribution, the cash can be accessed without penalty from the facility.*

[#] Standard Bank Limited loan consists of interest-bearing facilities as set out on page 80.

18. Other financial liabilities continued

	Variable base rate	All in cost (margin, reserving and liquidity costs) %	Loan utilised R'000	Maturity date
30 June 2015				
Standard Bank Limited				
Facility 1	**Prime less 1,65%**	**–**	**–***	**31 Mar 18**
Facility 2	**3m JIBAR**	**1,55**	**102 521**	**31 Aug 17**
Facility 3	**3m JIBAR**	**1,55**	**47 510**	**30 Sep 17**
Facility 4	**3m JIBAR**	**1,55**	**49 336**	**30 Sep 17**
Facility 5	**3m JIBAR**	**1,55**	**87 120**	**31 Jul 17**
Facility 6	**3m JIBAR**	**2,51**	**200 866**	**31 Jan 17**
Facility 7	**Prime less 1,575%**	**–**	**–***	**31 Dec 16**
Facility 8	**Prime less 1,575%**	**–**	**(308)***	**31 Aug 16**
Facility 9	**3m JIBAR**	**1,55**	**53 504**	**31 Aug 15**
			540 549	

** Access facility 1, 7 and 8 of R403 281 fully paid up and available for draw down.*

30 June 2014				
Facility 1	3m JIBAR	2,34	200 761	31 Jan 17
Facility 2	Prime less 1,575%	–	156 474	31 Aug 16
Facility 3	Prime less 1,65%	–	174 035	28 Feb 15
Facility 4	3m JIBAR	1,55	102 521	30 Sep 14
Facility 5	3m JIBAR	1,55	62 087*	16 Jul 14
			695 878	

** Access facility 5 of R25 223 available for draw down.*

Interest rate swaps

	Fixed base rate %	Inception date	Maturity date	Nominal amount R'000
30 June 2015				
Interest rate swap 1	**7,26**	**12 Dec 14**	**14 Dec 16**	**150 000**
Interest rate swap 2	**7,12**	**23 Mar 12**	**22 Mar 17**	**103 000**
Interest rate swap 3	**7,12**	**23 Mar 12**	**22 Mar 17**	**102 000**
Interest rate swap 4	**7,12**	**16 Jul 12**	**17 Jul 17**	**200 000**
				555 000
30 June 2014				
Interest rate swap 1	7,26	12 Dec 11	14 Dec 16	150 000
Interest rate swap 2	7,12	23 Mar 12	22 Mar 17	103 000
Interest rate swap 3	7,12	23 Mar 12	22 Mar 17	102 000
				355 000

Interest rate swaps
The interest rate swap agreements have the effect of swapping the variable base rates with the fixed base rates as indicated above.

	30 June 2015 R'000	30 June 2014 R'000
Investec Private Bank Limited		
Carried at amortised cost		
Investec Bank	**523 225#**	–
Less: Amounts to be settled within 12 months and included in current liabilities	**(2 524)**	–
	520 701	–

 # Investec Private Bank loan consists of the interest-bearing facilities as set out on page 81.

18. Other financial liabilities continued

	Variable base rate	All in cost (margin, reserving and liquidity costs) %	Loan utilised R'000	Maturity date
30 June 2015				
Investec Private Bank Limited				
Facility 1	3m LIBOR	2,85	158 515	26 Feb 18
Facility 2	3m LIBOR	3,10	364 710	22 May 18
			523 225	

	30 June 2015 R'000	30 June 2014 R'000
Nedbank Limited		
Carried at amortised cost		
Nedbank Limited	102 943	–
	102 943	–

This loan relates to the consolidated Employee Share Trust Incentive Scheme. The approved capital sum of the loan is R106 000 000, which includes a capital sum of R5 000 000 for a six-month interest roll-up. The loan bears interest at a rate of prime less 0,86% and is repayable after three years.

	30 June 2015 R'000	30 June 2014 R'000
Santander		
Carried at amortised cost		
Santander	408 237#	–
Structuring fee capitalised to loan#	(3 997)	–
Amortisation of finance costs	–	–
	404 240	–

 # No capital repayments are required within the next 12 months. Santander loan consists of the following interest bearing facilities:

	Variable base rate	All in cost (margin, reserving and liquidity costs) %	Loan utilised R'000	Maturity date
30 June 2015				
Santander				
Facility 1	Fixed	3,655	62 165	27 Feb 20
Facility 2	Fixed	3,611	61 876	27 Feb 20
Facility 3	Fixed	3,655	7 236	27 Feb 20
Facility 4	Fixed	3,611	7 236	27 Feb 20
Facility 5	Fixed	3,611	64 140	27 Feb 20
Facility 6	Fixed	3,611	28 406	27 Feb 20
Facility 7	Fixed	3,610	173 181	27 Feb 20
			404 240	

18. Other financial liabilities continued

Lease liability

	30 June 2015 R'000	30 June 2014 R'000
Passenger Rail Agency of South Africa Lease entered over the property namely Remaining Extent of Portion 47 and 114 of the Farm Zuurfontein No 33. The lease term is over 40 years with the option to renew.	**13 750**	–
Witwatersrand Estates Limited Lease 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.	**32 671**	–
	46 421	–
Minimum lease payments due		
– within one year	**–**	–
– in second to fifth year inclusive	**5 805**	–
– after five years	**40 616**	–
	46 421	–

Prepaid rent

	30 June 2015 R'000	30 June 2014 R'000
Prepaid rent	**126 410**	–
Amount to be accounted for over the next 12 months included in current liabilities	**28 089**	–
	98 321	–
The prepaid rent is held in a restricted deposit and funds will be released on a quarterly basis over 4,5 years (refer note 9).		
Minimum lease payments due		
– within one year	**28 089**	–
– in second to fifth year inclusive	**98 321**	–
– after five years	**–**	–
	126 410	–

19. Trade and other payables

	30 June 2015 R'000	30 June 2014 R'000
Trade and other payables comprise:		
Trade payables	**1 704**	1 568
Other payables	**863**	365
VAT payables	**5 332**	2 871
Income received in advance	**22 960**	13 695
Deposits received	**16 305**	9 241
Accrued expenses	**21 720**	16 088
	68 884	43 828

20. Investment property income

	30 June 2015 R'000	30 June 2014 R'000
Investment property income comprises:		
Rental income	**318 064**	215 092
Recoveries of utilities from tenants	**83 117**	56 667
	401 181	271 759

21. Property expenses

	30 June 2015 R'000	30 June 2014 R'000
Property expenses comprise:		
Agents' commission	**210**	–
Rental paid	**516**	481
Rates and taxes	**24 949**	21 118
Electricity consumption	**40 106**	27 965
Water consumption	**5 194**	2 661
Other municipal charges	**5 640**	3 031
Property management fees	**10 457**	7 799
Amortisation and depreciation	**5 829**	6 191
Commissions amortised	**1 733**	1 779
Depreciation of property, plant and equipment	**4 096**	4 191
Impairment allowance	**1 762**	(1 163)
Security	**6 668**	4 647
Cleaning	**3 361**	2 265
Insurance	**1 267**	824
Other property related expenses*	**21 310**	13 973
	127 269	89 571

** Other property related expenses includes consumables, gardening and landscaping, repairs and maintenance and valuation costs.*

22. Other income

	30 June 2015 R'000	30 June 2014 R'000
Other income comprises:		
Sundry income	**2 905**	5 444
Penalty charges	**37**	–
Gain on bargain purchase	**14 071**	–
Profit on sale of property	**5 791**	
	22 804	5 444

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2015

23. Operating profit

	30 June 2015 R'000	30 June 2014 R'000
Operating profit is arrived at after taking into account:		
Audit fees	**893**	878
Fees for professional and consulting services	**1 855**	678
Travel	**205**	39
Directors' emoluments (refer note 32)	**2 007**	1 420
Stationery and subscriptions	**1 787**	–
Marketing/advertising	**158**	–
Corporate social investment	**195**	–
Unrealised foreign exchange loss	**9 463**	–
Other operating costs	**2 068**	–

24. Finance income

	30 June 2015 R'000	30 June 2014 R'000
Finance income comprises interest received from:		
Banks	**585**	2 513
Other	**–**	5 786
	585	8 299

25. Finance costs

	30 June 2015 R'000	30 June 2014 R'000
Finance costs comprise interest paid on:		
Standard Bank Limited loan (variable)	**63 593**	33 587
Investec Private Bank Limited (variable)	**2 524**	875
Santander loan (fixed)	**3 997**	–
Interest rate swap	**–**	6 712
Nedbank (variable)	**2 943**	–
Banks	**4 144**	8
Amortisation of finance cost	**387**	221
Tax penalties	**–**	18
	77 588	41 421

26. Fair value adjustments

	30 June 2015 R'000	30 June 2014 R'000
Fair value adjustments comprise:		
Interest rate swap	**(1 506)**	4 331
Investment property	**165 748**	110 743
Impairments on goodwill	**–**	(247)
	164 242	114 827

27. Capital items

	30 June 2015 R'000	30 June 2014 R'000
Costs incurred on unsuccessful business acquisition	**114**	9

28. Debenture interest

	30 June 2015 R'000	30 June 2014 R'000
Debenture interest comprises:		
Debenture interest to:		
Linked unitholders	–	64 022

29. Income tax expense

	30 June 2015 R'000	30 June 2014 R'000
South African normal taxation:		
Current taxation:		
Current year	**692**	(462)
Deferred taxation:	**7 371**	832
Prior year	**3 756**	–
Current year	**3 615**	832
	8 063	370

	30 June 2015		30 June 2014	
	%	R'000	%	R'000
Reconciliation of effective tax rate:				
Profit before income tax		**359 967**		195 027
Income tax using statutory tax rate	**28,0**	**(100 791)**	28,0	(54 608)
Non-deductible expenses	**–**	**–**	9,4	(18 291)
Non-taxable income	**(10,3)**	**37 098**	(37,5)	73 112
Change in recognised deductible temporary differences	**(16,1)**	**57 475**		
Change in estimate related to prior years	**1,0**	**(3 756)**		
Recognition of previously unrecognised deferred tax asset	**(0,7)**	**2 603**		
Other	**0,3**	**(692)**	0,3	(583)
Income tax at effective tax rate	**2,2**	**(8 063)**	0,2	(370)

Deferred tax assets have not been recognised in respect of estimated tax losses of R45,1 million (2014: R45,1 million). These tax losses will be available for set-off against future taxable income. Deferred tax assets have not been recognised in respect of these estimated losses because it is not probable that future taxable profit will be available against which the Company can utilise the benefits thereon.

The estimated tax losses will be available to the Group indefinitely per the Income Tax Act as long as the entities are trading.

There is currently no intention for the subsidiaries to cease trading activities.

	30 June 2015 R'000	30 June 2014 R'000
Income tax paid:		
Income tax receivable at beginning of the year	**1 228**	66
Charged to profit and loss	**(692)**	462
Acquired through business combination	**(459)**	365
Foreign currency translation difference	**(4)**	–
Income tax receivable at end of the year	**(3 631)**	(1 228)
	(3 558)	(335)

30. Cash generated by operations

	30 June 2015 R'000	30 June 2014 R'000
Profit before income tax	**359 967**	195 027
Adjusted for:		
Amortisation and depreciation	**5 829**	5 970
Amortisation of debenture premium	**–**	(2 159)
Reversal of impairment allowance	**(723)**	(1 163)
Utilisation of impairment allowance	**–**	(241)
Profit on sale of property	**(5 791)**	–
Gain on bargain purchase	**(14 071)**	–
Finance income	**(585)**	(8 299)
Straight-line rental adjustment	**(9 590)**	(1 839)
Finance costs	**77 588**	41 421
Debenture interest	**–**	64 022
Fair value adjustments	**(164 242)**	(114 827)
Share-based payment expense	**1 074**	–
Revaluation of foreign loan	**9 463**	–
Cash generated before working capital changes	**258 919**	177 912
Changes in working capital:		
Increase in trade and other receivables	**(12 901)**	(11 054)
Increase in trade and other payables	**9 375**	3 913
Cash generated by operations	**255 393**	170 771

31. Commitments

	30 June 2015 R'000	30 June 2014 R'000
Operating leases – as lessor (income)		
Minimum lease payments due		
within one year	**392 285**	224 265
in second to fifth year inclusive	**1 010 810**	387 475
after five years	**548 622**	58 764
Contractual cash inflows	**1 951 717**	670 504
Straight-line rental adjustments	**55 550**	(33 028)
Future book revenue	**2 007 267**	637 476

Operating lease income represents rentals received by the Group for certain of its office properties. Leases are negotiated for an average term of four years. Rentals on the properties escalate at an average rate of 8,5% per annum.

The Group has a contractual obligation to acquire 50% of an Investment Property, disclosed in note 38 Events after reporting date. R39 million is committed for capital expenditure and R6 million for general repairs and maintenance per board approved budgets.

32. Related parties

Related party relationships include:

Subsidiaries

- Discus House Proprietary Limited (Discus)
- Imperial Commercial Properties Proprietary Limited (Imperial)
- Investage 183 Proprietary Limited (Investage)
- Sable Place Properties 121 Proprietary Limited (Sable)
- Nungu Trading 88 Proprietary Limited (Nungu)
- Gladstone Investment Holdings Limited
- Heddon Investment Holdings Limited
- Zeya Investment Holdings Limited
- Chobe Investment Holdings Limited
- Chevelon Investment Holdings Limited
- Vunani Property Investment Trust
- Texton Property Fund Limited Share Incentive Scheme Trust

Asset management company

Texton Property Investments Proprietary Limited, after the successful cession and assignment of the asset management agreement from Vunani Property Asset Management Proprietary Limited (VPAM). Fees paid for the year amounted to R14 million (2014: R9,6 million).

Directors' remuneration

	Directors' fees R'000	Salaries R'000	Provident fund and medical aid contributions R'000	Bonuses R'000	Total R'000
30 June 2015					
Independent non-executive directors					
PM Tau-Sekati (Lead independent)	245	–	–	–	245
NV Balfour	196	–	–	–	196
JR Macey	230	–	–	–	230
TS Sishuba	195	–	–	–	195
KN Vundla	195	–	–	–	195
Non-executive directors					
PD Naidoo (Chairperson)#	270	–	–	–	270
JA Legh	195	–	–	–	195
RB Makhubela@	52	–	–	–	52
MJ van Heerden	230	–	–	–	230
Executive directors					
M de Lange (FD)*	–	1 388	112	–	1 500
AN Du Hecquet de Rauville	199	–	–	–	199
LB Kan°	–	122	10		132
RF Kane (CEO)*	–	2 220	180	–	2 400
	2 007	3 730	302	–	6 039

@ Appointed 31 March 2015.

 # PD Naidoo received financial assistance from Texton in the form of a put option against his shares that have been pledged as security with a financial institution which means that he was no longer considered independent.

** Resigned 5 June 2015.*

° Resigned 15 July 2015.

32. Related parties continued

	Directors' fees R'000	Salaries R'000	Provident fund and medical aid contributions R'000	Bonuses R'000	Total R'000
30 June 2014					
Independent non-executive directors					
PD Naidoo (Chairperson)	245	–	–	–	245
RR Emslie*	141	–	–	–	141
JR Macey	212	–	–	–	212
PM Tau-Sekati	212	–	–	–	212
KN Vundla	180	–	–	–	180
Non-executive directors					
CE Chimombe-Munyoro*	120	–	–	–	120
AN Du Hecquet de Rauville@	60	–	–	–	60
EG Dube*	120	–	–	–	120
JA Legh@	60	–	–	–	60
MJ van Heerden@	70	–	–	–	70
Executive directors					
M de Lange (FD)	–	1 077	223	195	1 495
RF Kane (CEO)	–	1 704	229	–	1 933
PW Mackenzie*	–	594	114	–	708
	1 420	3 375	566	195	5 556

** Resigned 28 February 2014.*
@ Appointed 1 March 2014.

Executive directors' remuneration is paid from the asset management fee that is earned from the Company.

33. Business combinations

2014/2015 investment activity

During the year under review Texton made various acquisitions that presented an opportunity to acquire a sizable portfolio of quality properties in locations which are strategic and complement Texton's existing portfolio, specifically diversifying into the United Kingdom. Texton acquired 10 businesses and 10 properties which added 23 properties to the portfolio comprising 18 South African properties and five properties in the United Kingdom.

The acquisition details are:

On 12 September 2014 the Fund acquired the entire share capital of:

- Nungu Trading 88 Proprietary Limited with a commercial property known as Babcock, situated at 1 Osborne Lane, Bedfordview, Johannesburg. The gross lettable area measures 3 865m², all of which is occupied by a single tenant on a long-term, triple net lease. The purchase price was settled in cash.

On 31 December 2014 the Fund acquired the entire share capital of:

- Imperial Commercial Properties Proprietary Limited with a retail property known as Woodmead Commercial Park, situated at 17 Waterval Crescent, Woodmead. The gross lettable area measures 13 196m², which is let to a multitude of tenants on medium-term leases. The purchase price was settled partly in cash and the balance in shares.
- Discus House Proprietary Limited with a retail property known as Kempstar Mall, situated at 20 Old Pretoria Road, Kempton Park, Johannesburg. The gross lettable area measures 6 019m², which is let to a multitude of mostly national tenants on long and medium-term leases. The purchase price was settled in shares.
- Sable Place Properties 121 Proprietary Limited with six industrial mini units in Kya Sand, Johannesburg. The gross lettable area measures 12 909m² which is let to a multitude of tenants on medium-term leases. The purchase price was settled in shares.

33. Business combinations continued

2014/2015 investment activity continued

- Investage 183 Proprietary Limited with three properties
  - an industrial property known as Hermanstad Industrial Park, situated on the corner of Moot Street and E'skia Mphahlele Drive, Hermanstad. The gross lettable area measures 44 029m², which is let to a multitude of mostly national tenants on medium-term leases. The purchase price was settled in shares.
  - a commercial building known as Blue Strata House, situated at 66 Wierda Road East, Wierda Valley, Johannesburg. The gross lettable area measures 1 806m², all of which is occupied by a single tenant on a long-term, triple net lease. The purchase price was settled in shares.
  - a commercial building known as Bompas Road, situated at 54 Bompas Road, Dunkeld, Johannesburg. The gross lettable area measures 750m², all of which is occupied by a single tenant on a long-term, triple net lease. The purchase price was settled in shares.

On 27 February 2015 the Fund acquired the entire share capital of:

- Heddon Investment Holdings Limited which acquired an industrial property known as Booker Warehouse, situated in Burton-upon-Trent, England. The gross lettable area measures 3 826m², which is occupied by a single tenant on a long-term, triple net lease. The purchase price was settled in cash.
- Gladstone Investment Holdings Limited with a commercial building known as Stanford House, situated in Warrington, England. The gross lettable area measures 5 090m², all of which is occupied by a single tenant on a long-term, triple net lease. The purchase price was settled in cash.

On 27 May 2015 the Fund acquired the entire share capital of:

- Chevelon Investment Holdings Limited with a city centre retail complex known as Bonmarché and Poundland, situated in Nottingham, England. The gross lettable area measures 2 601m², all of which is occupied by two strong tenants on long-term, triple net leases. The purchase price was settled in cash.
- Chobe Investment Holdings Limited with a high-quality commercial building known as the Tesco Building, situated in Newcastle-upon-Tyne, England. The gross lettable area measures 9 323m², all of which is occupied by a single tenant on a long-term, triple net lease. The purchase price was settled in cash.
- Zeya Investment Holdings Limited with a decentralised retail centre known as Parc Pensarn Units, situated in Carmarthen, Wales. The gross lettable area measures 1 783m², all of which is occupied by three strong tenants on long-term, triple net leases. The purchase price was settled in cash.

On 24 July 2014 the Fund acquired:

- an industrial and commercial building known as Selby, situated on the corner of Main Reef Road and Press Avenue, Selby. The gross lettable area measures 10 419m², all of which is occupied by a single tenant on a long-term, triple net lease. The purchase price was settled in cash.

On 18 September 2014 the Fund acquired:

- a commercial building known as Quintiles, situated at 159 Nelson Mandela Drive, Bloemfontein. The gross lettable area measures 3 404m², all of which is occupied by a single tenant on a long-term, triple net lease. The purchase price was settled in cash.
- a commercial building known as Scott Street, situated in Waverley, Johannesburg. The gross lettable area measures 4 329m², all of which is occupied by a single tenant on a long-term, triple net lease. The purchase price was settled in shares.
- a section of St George's Mall, situated in Cape Town. The gross lettable area measures 1 236 m², all of which is occupied by a single tenant on a medium-term, triple net lease. The purchase price was settled in cash.

On 30 October 2014 the Fund acquired:

- a commercial building known as Edcon Place, situated at 12 Laub Street, Johannesburg. The gross lettable area measures 27 472m², all of which is occupied by a single tenant on a long-term, triple net lease. The purchase price was settled in shares.

On 10 June 2015 the Fund acquired:

- a property known as Alrode, situated at 5 Liebenberg Road, Roodekop. The gross lettable area measures 16 557m² and the purchase price was settled in cash.

33. Business combinations continued

2014/2015 investment activity continued

The table below indicates the detail of the net business combinations in South Africa on the above mentioned properties:

South African entities

Acquisition date	Nungu R'000 12/09/14	Discus* R'000 31/12/14	Imperial* R'000 31/12/14	Investage* R'000 31/12/14	Sable* R'000 31/12/14	Total South Africa R'000
Purchase price	48 175	73 230	61 915	78 966	12 689	**274 975**
Property GLA m²	3 865	6 019	13 196	46 585	12 909	**82 574**
Acquisition yield (%)	9,4	8,2	7,9	7,6	9,0	
Property lease escalation (%)	9,00	8,20	7,90	7,57	11,80	
Net assets acquired						
Investment property	48 326	107 454	146 280	198 831	40 968	**541 859**
Cash and cash equivalents	125	2 123	1 333	2 150	425	**6 156**
Restricted cash	–	–	–	–	–	**–**
Trade and other receivables	152	2 007	2 922	2 272	1 037	**8 390**
Income tax receivable	–	4	–	–	–	**4**
VAT receivable	–	–	–	–	–	**–**
Other financial liabilities	–	(20 091)	(51 464)	(114 989)	(27 759)	**(214 303)**
Shareholder's loans	–	–	5 797	(19 209)	(5 900)	**(19 312)**
Income tax payable	–	–	–	–	–	**–**
Lease liability	–	(13 726)	(32 671)	–	(3)	**(46 400)**
Income received in advance	–	–	–	–	–	**–**
Trade and other payables	(362)	(3 018)	(1 197)	(3 359)	(1 003)	**(8 939)**
Net assets acquired	48 241	74 753	71 000	65 696	7 765	**267 455**
Goodwill	–	–	–	–	–	**–**
Gain on bargain price	(66)	(3 008)	(3 201)	(6 512)	(1 284)	**(14 071)**
Cash received on adjustment accounts	–	1 485	(87)	573	308	**2 279**
Loan accounts acquired	–	–	(5 797)	19 209	5 900	**19 312**
Shares issued	–	(73 230)	(37 812)	(78 966)	(12 689)	**(202 697)**
Cash paid	48 175	–	24 103	–	–	**72 278**
Unrestricted cash acquired	(125)	(2 123)	(1 333)	(2 150)	(425)	**(6 156)**
Net cash outflow	48 050	(2 123)	22 770	(2 150)	(425)	**66 122**
Revenue since acquisition	2 218	8 924	8 327	13 235	4 027	**36 731**
Revenue if held for the full year	3 533	20 143	21 934	39 731	7 610	**92 951**
Profit/(loss) since acquisition	44 524	5 098	(15 046)	234	5 214	**40 024**
Profit/(loss) if held for the full year	53 542	12 677	67 697	52 889	6 035	**192 840**

** MJ van Heerden through the Nooitgedacht Trust and JA Legh were the majority shareholders of the entities acquired.*

33. Business combinations continued

2014/2015 investment activity continued

The table below indicates the detail of the net business combinations in the United Kingdom on the above mentioned properties:

United Kingdom entities

Acquisition date	Gladstone R'000 27/05/15	Heddon R'000 27/05/15	Zeya R'000 27/05/15	Chobe R'000 27/05/15	Chevelon R'000 27/05/15	Total United Kingdom R'000
Purchase price	71 153	29 160	13 755	189 699	15 179	**318 946**
Property GLA m²	5 090	3 826	1 783	9 323	2 601	**22 623**
Acquisition yield (%)	6,80	7,50	6,53	7,74	7,80	
Property lease escalation (%)	RPI linked (5 years), upward only	Upward only, higher of market value or current rent	Upward only, varied by tenant	Upward only, lower of market rent and principal rent	Upward only, open market value (5 years)	
Net assets acquired						
Investment property	223 872	29 160	57 355	349 932	129 511	**789 830**
Cash and cash equivalents	4 904	–	406	1 456	760	**7 526**
Restricted cash	–	–	–	122 330	–	**122 330**
Trade and other receivables	–	–	22 796	13 560	48	**36 404**
Income tax receivable	456	–	–	–	–	**456**
VAT receivable	8	–	–	159	–	**167**
Other financial liabilities	(113 616)	–	(39 956)	(167 547)	(131 074)	**(452 193)**
Shareholder's loans	(63 009)	–	(33 846)	(36 319)	–	**(133 174)**
Income tax payable	–	–	(72)	(499)	(348)	**(919)**
Lease liability	–	–	–	–	–	**–**
Income received in advance	–	–	–	(122 330)	–	**(122 330)**
Trade and other payables	(4 906)	–	(2)	(955)	(306)	**(6 169)**
Net assets acquired	47 709	29 160	6 681	159 787	(1 409)	**241 928**
Goodwill	23 444	–	7 074	29 912	16 588	**77 018**
Cash paid	71 153	29 160	13 755	189 699	15 179	**318 946**
Unrestricted cash acquired	(4 904)	–	(406)	(1 456)	(760)	**(7 526)**
Net cash outflow	66 249	29 160	13 349	188 243	14 419	**311 420**
Revenue since acquisition	4 682	695	161	2 246	794	**8 578**
Revenue if held for the full year	22 538	8 339	2 362	15 686	8 882	**57 807**
Profit/(loss) since acquisition	317	(62)	(482)	638	(359)	**52**
Profit/(loss) if held for the full period	9 471	1 131	1 116	4 425	1 688	**17 831**

33. Business combinations continued

2014/2015 investment activity continued

The table below indicates the detail of the properties acquired in South Africa as mentioned previously:

South African properties

Acquisition date	Selby R'000 24/07/15	Quintile* R'000 18/09/15	Scott Street R'000 18/09/15	St George's Mall* R'000 18/09/15	Edcon R'000 13/10/15	Alrode R'000 10/06/1	Total R'000
Purchase price	52 737	47 500	107 805	21 130	153 948	51 138	**434 258**
Property GLA m²	10 419	3 404	4 329	1 236	27 472	16 557	**63 417**
Acquisition yield (%)	9,0	9,6	9,5	10,5	7,5	10,2	
Property lease escalation (%)	8,00	8,00	8,00	8,00	7,50	8,30	
Net assets acquired							
Investment property	52 737	47 500	107 805	21 130	153 948	51 138	**434 258**
Net assets acquired	52 737	47 500	107 805	21 130	153 948	51 138	**434 258**
Shares issued	–	–	(107 805)	–	(153 948)	–	**(261 753)**
Cash paid	52 737	47 500	–	21 130	–	51 138	**172 505**
Unrestricted cash acquired	–	–	–	–	–	–	**–**
Net cash outflow	52 737	47 500	–	21 130	–	51 138	**172 505**
Revenue since acquisition	15 127	4 908	19 242	1 890	29 132	937	**71 236**
Revenue if held for the full year	16 502	6 545	25 656	2 521	34 958	6 254	**92 436**
Profit/(loss) since acquisition	13 081	8 815	18 148	3 260	28 881	1 683	**73 868**
Profit/(loss) if held for the full year	14 270	11 753	24 197	4 347	34 658	4 709	**93 934**

** Properties acquired from entity associated with PD Naidoo and settled in shares.*

33. Business combinations continued

2014/2015 investment activity continued

The table below indicates the total investment during the financial period:

	Total South African entities R'000	Total United Kingdom entities R'000	Total South African properties R'000	Total investments R'000
Acquisition date				
Purchase price	274 975	318 946	434 258	**1 028 179**
Property GLA m²	82 574	22 623	63 417	**168 614**
Net assets acquired			–	
Investment property	541 859	789 830	434 258	**1 765 947**
Cash and cash equivalents	6 156	7 526	–	**13 682**
Restricted cash	–	122 330	–	**122 330**
Trade and other receivables	8 390	36 404	–	**44 794**
Income tax receivable	4	456	–	**460**
VAT receivable	–	167	–	**167**
Other financial liabilities	(214 303)	(452 193)	–	**(666 496)**
Shareholder's loans	(19 312)	(133 174)	–	**(152 486)**
Income tax payable	–	(919)	–	**(919)**
Lease liability	(46 400)	–	–	**(46 400)**
Income received in advance	–	(122 330)	–	**(122 330)**
Trade and other payables	(8 939)	(6 169)	–	**(15 108)**
Net assets acquired	267 455	241 928	434 258	**943 641**
Goodwill	–	77 018	–	**77 018**
Gain on bargain price	(14 071)	–	–	**(14 071)**
Cash received on adjustment accounts	2 279	–	–	**2 279**
Loan accounts acquired	19 312	–	–	**19 312**
Shares issued	(202 697)	–	(261 753)	**(464 450)**
Cash paid	72 278	318 946	172 505	**563 729**
Unrestricted cash acquired	(6 156)	(7 526)	–	**(13 682)**
Net cash outflow	66 122	311 420	172 505	**550 047**
Revenue since acquisition	36 731	8 578	71 236	**116 545**
Revenue if held for the full year	92 951	57 807	92 436	**243 194**
Profit/(loss) since acquisition	40 024	52	73 868	**113 944**
Profit/(loss) if held for the full year	192 840	17 831	93 934	**304 605**

Post the reporting date Texton acquired 50% of the share capital of a United Kingdom entity that added a further 35 860m² space to the portfolio.

Goodwill was paid on the United Kingdom assets as a result of the opportunity to acquire a portfolio of properties in an off-market share transaction.

The gain on bargain purchase price arose as the effective dates of these transactions for accounting purposes were different to the legal effective dates. It has been recognised in "other income" in profit and loss.

All contractual trade and other receivables acquired are considered recoverable.

33. Business combinations continued

2013/2014 investment activity

On 1 August 2013, the Fund acquired:

- buildings 4, 5 and 10 – 15 in the sectional title schemes known as Greenstone Hill Office Park SS1149/2008 and SS599/2009 with associated exclusive use areas, situated at Emerald Boulevard, Greenstone Hill with a gross lettable area measuring 14 640m^2. The purchase price was settled in cash.

On 30 October 2013, the Fund acquired:

- buildings 2 and 6 in the sectional title schemes known as Greenstone Hill Office Park SS1149/2008 with associated exclusive use areas, situated at Emerald Boulevard, Greenstone Hill with a gross lettable area measuring 3 026m^2. The purchase price was settled in cash.

On 17 March 2014, the Fund acquired:

- a building known as Wellington Road with a gross lettable area measuring 10 019m^2 and situated at 30-32 Wellington Road, Parktown. The purchase price was settled in cash.

On 1 April 2014, the Fund acquired:

- a property known as Bryanston Gate, situated at the corner of Main Road and Homestead Avenue, Bryanston, Sandton, with a gross lettable area measuring 16 659m^2. The purchase price was settled in cash.

The table below indicates the net assets acquired on the above mentioned business combinations:

	Greenstone Hill Office Park (buildings 4, 5 and 10 – 15 R'000	Greenstone Hill Office Park (buildings 2 and 6) R'000	Wellington Road R'000	Bryanston Gate R'000	Total R'000
Acquisition date	1 Aug 13	30 Oct 13	17 Mar 14	1 Apr 14	
Purchase price	213 577	54 348	102 500	174 000	574 425
Property GLA m²	14 640	3 026	10 019	16 659	72 029
Net assets acquired					
Investment property	213 577	54 348	102 500	174 000	544 425
Income tax receivable	365	–	–	–	365
Trade and other receivables	105	–	–	–	105
Cash and cash equivalents	323	–	–	–	323
Other financial liabilities	(117 383)	–	–	–	(117 383)
Shareholders' loan	(69 000)	–	–	–	(69 000)
Trade and other payables	(1 610)	–	–	–	(1 610)
Net assets acquired	26 377	54 348	102 500	174 000	357 225
Goodwill	247	–	–	–	247
Cash paid	26 624	543 348	102 500	174 000	357 472
Less: Unrestricted cash acquired	(323)	–	–	–	(323)
Net cash outflow	26 301	54 348	102 500	174 000	357 149
Profit since acquisition	1 394	3 326	3 213	5 216	13 149
Profits if held for full year	1 521	4 990	11 015	31 293	48 819

34. Earnings and distribution per share

	30 June 2015 '000	30 June 2014 '000
Cents per share		
Basic and diluted earnings per share	**175,66**	123,60
Comparable basic and diluted earnings per share*	**175,66**	162,88
Headline and diluted headline earnings per share	**83,01**	53,28
Comparable headline and diluted headline earnings per share*	**83,01**	92,56
Distribution per share	**94,77**	85,47

** Comparable basic earnings per share and comparable headline earnings per share have been included to enable shareholders to compare the current year figures to those previously reported where linked units had been in issue.*

Basic earnings per share

The calculation of basic earnings per share was based on the earnings attributable to shareholders of R351 904 million (2014: R194 657 million), and a weighted average number of shares outstanding of 200 337 241 (2014: 157 494 340).

Comparable basic earnings per share

The calculation of comparable basic earnings per share was based on the comparable earnings attributable to shareholders of R351 904 million (2014: R256 520 million) and weighted average number of shares outstanding of 200 337 241 (2014: 157 494 340).

Headline earnings per share

The calculation of headline earnings per share was based on headline earnings attributable to shareholders of R166 294 million (2014: R83 914 million), and a weighted average number of shares outstanding of 200 337 241 (2014: 157 494 340).

Comparable headline earnings per share

The calculation of comparable headline earnings per share was based on the comparable headline earnings attributable to shareholders of R166 294 million (2014: R145 777 million) and a weighted average number of shares outstanding of 200 337 241 (2014: 157 494 340).

Diluted basic earnings and diluted headline earnings per share

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

Distribution per share

The calculation of distribution per share was based on the distributable earnings attributable to shareholders of R231 430 million (2014: R144 542 million), and an issued number of shares outstanding of 276 066 766 (2014: 169 122 019). At year-end the shares reflecting as treasury shares are not cancelled as the shares are held by the Texton Employee Share Trust. The distribution per share is calculated after adjustment for the Texton Employee Share Trust, which was consolidated, and the adjusted shares in issue at year-end being 267 423 766 (2014: 160 210 102).

Weighted average number of shares in issue

	30 June 2015 '000	30 June 2014 '000
Issued at beginning of the year	**160 210**	120 618
Issued during the year	**115 857**	48 504
Treasury shares	**(8 643)**	(8 912)
Shares in issue at end of the year	**267 424**	160 210
Weighted average number of shares for the year	**200 377**	157 494

34. Earnings and distribution per share continued

	30 June 2015 R'000	30 June 2014 R'000
Earnings		
Earnings attributable to shareholders:	**351 904**	194 657
Adjust for:		
Debenture interest	**–**	64 022
Amortisation of debenture interest	**–**	(2 159)
Comparable earnings attributable to shareholders	**351 904**	256 520
Headline earnings		
Profit attributable to shareholders:	**351 904**	194 657
Gain on bargain purchase	**(14 071)**	–
Gross revaluation of investment property	**(165 748)**	(110 743)
Profit on sale of property	**(5 791)**	–
Headline earnings attributable to shareholders	**166 294**	83 914
Adjust for:		
Debenture interest	**–**	64 022
Amortisation of debenture interest	**–**	(2 159)
Comparable headline earnings attributable to shareholders	**166 294**	145 777
Distributable earnings		
Revenue	**401 181**	271 759
Property expenses	**(127 269)**	(89 571)
Other income	**22 804**	5 444
Other operating expenses	**(18 630)**	(4 689)
Unrealised foreign exchange loss	**9 463**	–
Asset management fees	**(14 834)**	(9 588)
Net finance cost	**(76 616)**	(32 901)
Finance income	**585**	8 299
Finance cost	**(77 588)**	(41 421)
Finance cost amortisation	**387**	221
Taxation	**(692)**	462
Accrued distribution included in share price	**19 583**	–
Dividends on treasury shares	**8 381**	3 626
Realisation of property revaluation	**8 059**	–
Total distribution	**231 430**	144 542
Reconciliation of comparable earnings to distributable earnings:		
Comparable earnings attributable to shareholders/linked unitholders	**351 904**	256 520
Straight-line rental adjustment	**(9 590)**	(1 839)
Unrealised foreign exchange loss	**9 463**	–
Finance cost amortisation	**387**	221
Fair value adjustments	**(164 242)**	(114 827)
Dividends on treasury shares	**8 381**	3 626
Realisation of property revaluation	**8 059**	–
Capital items	**114**	9
Accrued distribution included in share price on issue	**19 583**	–
Deferred tax	**7 371**	832
Distributable earnings	**231 430**	144 542

34. Earnings and distribution per share continued

	30 June 2015	30 June 2014
Distributable earnings (R'000)	**231 430**	144 542
Shares in issue ('000)	**276 067**	169 122
Distribution per share (cents)	**94,77**	85,47
Distributable earnings (R'000)	**231 430**	114 542
Less: Distribution to shareholder (payment 1)	**(93 148)**	(67 648)
Available for distribution (payment 2) (R'000)	**138 282**	76 894
Units in issue ('000)	**276 067**	169 122
Distribution per share (cents)		
Dividend per share subsequent to year-end	**50,09**	45,47
Distributions		
Distribution per linked units – interim	**–**	40,00
Dividends per share – interim	**44,68**	
Dividend per share – final (subsequent to year-end)	**50,09**	45,47
Total comparable distribution	**94,77**	85,47

Distribution is taxable income in the hands of local residents and withholding tax will apply to non-residents and will be dependent on the double tax agreement with the applicable country.

35. Operating segments

The Group has eight reportable segments based on the geographic split of the country which are the Group's strategic business segments. For each strategic business segment, the Group's CEO (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 except SA national government. Free State, United Kingdom and Wales are new due to the properties acquired in those regions during this year.

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

	GAUTENG				WESTERN CAPE			
2015	Office R'000	Retail R'000	Industrial R'000	Total R'000	Office R'000	Retail R'000	Industrial R'000	Total R'000
Extracts from the statement of comprehensive income								
Investment property income	**243 556**	**26 855**	**21 835**	**292 246**	**66 725**	**1 073**	**2 915**	**70 713**
Property expenses	**(77 755)**	**(10 260)**	**(10 167)**	**(98 182)**	**(19 489)**	**(638)**	**(575)**	**(20 702)**
Segment result	**165 801**	**16 595**	**11 668**	**194 064**	**47 236**	**435**	**2 340**	**50 011**
Extracts from the statement of financial position								
Investment property								
Opening balance	**1 579 102**	**20 255**		**1 599 357**	**399 743**	**5 126**		**404 869**
Additions through business combinations	**373 172**	**253 650**	**280 665**	**907 487**	**21 130**			**21 130**
Disposals								
Other additions	**7 079**	**21**	**–**	**7 100**	**–**	**35**	**–**	**35**
Straight-line rental adjustment	**11 275**	**(1 602)**	**1 243**	**10 916**	**78**	**(21)**	**–**	**57**
Cumulative fair value adjustments	**52 988**	**12 807**	**5 193**	**70 988**	**76 383**	**290**	**–**	**76 673**
Foreign currency translation difference	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Closing balance	**2 023 616**	**285 131**	**287 101**	**2 595 848**	**497 334**	**5 430**		**502 764**

35. Operating segments continued

	NORTH WEST				EASTERN CAPE			
2015	Office R'000	Retail R'000	Industrial R'000	Total R'000	Office R'000	Retail R'000	Industrial R'000	Total R'000
Extracts from the statement of comprehensive income								
Investment property income	8 910	–	–	8 910	6 152	4 800	–	10 952
Property expenses	(1 971)	–	–	(1 971)	(2 127)	(1 157)	–	(3 284)
Segment result	6 939	–	–	6 939	4 025	3 643	–	7 668
Extracts from the statement of financial position								
Investment property								
Opening balance	62 409	–	–	62 409	54 955	41 311	–	96 266
Additions through business combinations	–	–	–	–	–	–	–	–
Disposals	–	–	–	–	–	(41 300)	–	(41 300)
Other additions	–	–	–	–	–	6	–	6
Straight-line rental adjustment	(495)	–	–	(495)	374	(1 848)	–	(1 474)
Cumulative fair value adjustments	1 984	–	–	1 984	(2 874)	7 644	–	4 770
Foreign currency translation difference	–	–	–	–	–	–	–	–
Closing balance	63 898	–	–	63 898	52 455	5 813	–	58 268

35. Operating segments continued

	KWAZULU-NATAL				NORTHERN CAPE			
2015	Office R'000	Retail R'000	Industrial R'000	Total R'000	Office R'000	Retail R'000	Industrial R'000	Total R'000
Extracts from the statement of comprehensive income								
Investment property income	4 016	330	–	4 346	1 267	–	–	1 267
Property expenses	(1 100)	(90)	–	(1 190)	(226)	–	–	(226)
Segment result	2 916	240	–	3 156	1 041	–	–	1 041
Extracts from the statement of financial position								
Investment property	–	–	–	–	–	–	–	–
Opening balance	27 295	2 331	–	29 626	9 998	–	–	9 998
Additions through business combinations	–	–	–	–	–	–	–	–
Disposals								
Other additions	35	8	–	43	–	–	–	–
Straight-line rental adjustment	61	4	–	65	(71)	–	–	(71)
Cumulative fair value adjustments	4 403	340	–	4 743	1 822	–	–	1 822
Foreign currency translation difference	–	–	–	–	–	–	–	–
Closing balance	31 794	2 683	–	34 477	11 749	–	–	11 749

35. Operating segments continued

	FREE STATE				UNITED KINGDOM AND WALES			
2015	Office R'000	Retail R'000	Industrial R'000	Total R'000	Office R'000	Retail R'000	Industrial R'000	Total R'000
Extracts from the statement of comprehensive income								
Investment property income	4 316	–	–	4 316	6 928	808	695	8 431
Property expenses	(882)	–	–	(882)	(640)	(125)	(67)	(832)
Segment result	3 434	–	–	3 434	6 288	683	628	7 599
Extracts from the statement of financial position								
Investment property	–	–	–	–	–	–	–	–
Opening balance	–	–	–	–	–	–	–	–
Additions through business combinations	47 500	–	–	47 500	573 805	186 865	29 160	789 830
Disposals	–	–	–	–	–	–	–	–
Other additions	–	–	–	–	–	–	–	–
Straight-line rental adjustment	592	–	–	592	–	–	–	–
Cumulative fair value adjustments	4 768	–	–	4 768	–	–	–	–
Foreign currency translation difference	–	–	–	–	28 317	6 232	2 142	36 691
Closing balance	52 860	–	–	52 860	573 805	186 865	29 160	789 830

	TOTAL			
2015	Office R'000	Retail R'000	Industrial R'000	Total R'000
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)
Segment result	237 680	21 596	14 636	273 912
Extracts from the statement of financial position				
Investment property				
Opening balance	2 133 502	69 023	–	2 202 525
Additions through business combinations	1 015 607	440 515	309 825	1 765 947
Disposals	–	(41 300)	–	(41 300)
Other additions	7 114	70	–	7 184
Straight-line rental adjustment	11 814	(3 467)	1 243	9 590
Cumulative fair value adjustments	139 474	21 081	5 193	165 748
Foreign currency translation difference	28 317	6 232	2 142	36 691
Closing balance	3 335 828	492 154	318 403	4 146 385

35. Operating segments continued

2014	GAUTENG Office R'000	GAUTENG Retail R'000	GAUTENG Industrial R'000	GAUTENG Total R'000	WESTERN CAPE Office R'000	WESTERN CAPE Retail R'000	WESTERN CAPE Industrial R'000	WESTERN CAPE Total R'000
Extracts from the statement of comprehensive income								
Investment property income	178 389	4 285	–	182 674	59 751	1 022	3 118	63 891
Property expenses	(62 118)	(2 374)	–	(64 492)	(18 159)	(630)	(915)	(19 704)
Segment result	116 271	1 911	–	118 182	41 592	392	2 203	44 187
Extracts from the statement of financial position								
Investment property								
Opening balance	954 374	19 517	–	973 891	373 746	5 429	23 400	402 575
Additions through business combinations	544 425	–	–	544 425	–	–	–	–
Other additions	1 736	30	–	1 766	24	–	6	30
Straight-line rental adjustment	(2 090)	152	–	(1 938)	3 378	(4)	62	3 436
Cumulative fair value adjustments	80 657	556	–	81 213	22 595	(299)	532	22 828
Investment property reclassified as held-for sale	–	–	–	–	–	–	(24 000)	(24 000)
Closing balance	1 579 102	20 255	–	1 599 357	399 743	5 126	–	404 869

2014	NORTH WEST Office R'000	NORTH WEST Retail R'000	NORTH WEST Industrial R'000	NORTH WEST Total R'000	EASTERN CAPE Office R'000	EASTERN CAPE Retail R'000	EASTERN CAPE Industrial R'000	EASTERN CAPE Total R'000
Extracts from the statement of comprehensive income								
Investment property income	8 034	–	–	8 034	7 670	4 460	–	12 130
Property expenses	(1 534)	–	–	(1 534)	(1 918)	(985)	–	(2 903)
Segment result	6 500	–	–	6 500	5 752	3 475	–	9 227
Extracts from the statement of financial position								
Investment property								
Opening balance	59 719	–	–	59 719	55 000	37 499	–	92 499
Other additions	–	–	–	–	–	6	–	6
Straight-line rental adjustment	88	–	–	88	(133)	485	–	352
Cumulative fair value adjustments	2 602	–	–	2 602	88	3 321	–	3 409
Closing balance	62 409	–	–	62 409	54 955	41 311	–	96 266

35. Operating segments continued

	KWAZULU-NATAL				NORTHERN CAPE			
2014	Office R'000	Retail R'000	Industrial R'000	Total R'000	Office R'000	Retail R'000	Industrial R'000	Total R'000
Extracts from the statement of comprehensive income								
Investment property income	3 553	305	–	3 858	1 172	–	–	1 172
Property expenses	(661)	(76)	–	(737)	(201)	–	–	(201)
Segment result	2 892	229	–	3 121	971	–	–	971
Extracts from the statement of financial position								
Investment property								
Opening balance	26 973	2 264	–	29 237	9 746	–	–	9 746
Other additions	49	–	–	49	–	–	–	–
Straight-line rental adjustment	(93)	(14)	–	(107)	8	–	–	8
Cumulative fair value adjustments	366	81	–	447	244	–	–	244
Closing balance	27 295	2 331	–	29 626	9 998	–	–	9 998

	TOTAL			
2014	Office R'000	Retail R'000	Industrial R'000	Total R'000
Extracts from the statement of comprehensive income				
Investment property income	258 569	10 072	3 118	271 759
Property expenses	(84 591)	(4 065)	(915)	(89 571)
Segment result	173 978	6 007	2 203	182 188
Extracts from the statement of financial position				
Investment property				
Opening balance	1 479 558	64 709	23 400	1 567 667
Additions through business combinations	544 425	–	–	544 425
Other additions	1 809	36	6	1 851
Straight-line rental adjustment	1 158	619	62	1 839
Cumulative fair value adjustments	106 552	3 659	532	110 743
Investment property classified as held for sale	–	–	(24 000)	(24 000)
Closing balance	2 133 502	69 023	–	2 202 525

35. Operating segments continued

	Total 2015 R'000	Total 2014 R'000
Reconciliation from segment result to profit for the year		
Segment results	**273 912**	182 188
Straight-line rental adjustment	**9 590**	1 839
Other income	**22 804**	5 444
Other operating expenses	**(18 630)**	(4 689)
Asset management fees	**(14 834)**	(9 588)
Finance income	**585**	8 299
Finance cost	**(77 588)**	(41 421)
Fair value adjustment	**164 242**	114 827
Capital items	**(114)**	(9)
Debenture interest	**–**	(64 022)
Amortisation of debenture interest	**–**	2 159
Income tax	**(8 063)**	(370)
Profit for the year	**351 904**	194 657

36. Risk management

36.1 Liquidity risk

	Carrying amounts R'000	Undiscounted contractual cash flows R'000	Less than 1 year R'000	2 – 5 years R'000	Greater than 5 years R'000
GROUP					
30 June 2015					
Non-derivative financial liabilities	**(1 763 887)**	**(1 975 686)**	**(277 975)**	**(1 697 711)**	**–**
Non-interest bearing	**(189 961)**	**(189 961)**	**(189 961)**	**–**	**–**
Fixed interest rate instruments	**(407 210)**	**(475 605)**	**(16 942)**	**(458 663)**	**–**
Variable interest rate instruments	**(1 166 716)**	**(1 310 120)**	**(71 072)**	**(1 239 048)**	**–**
30 June 2014					
Non-derivative financial liabilities	738 300	(852 052)	(266 403)	(585 649)	
Non-interest bearing	(40 957)	(40 597)	(40 597)	–	–
Fixed interest rate instruments	(1 465)	(1 465)	(1 465)	–	–
Variable interest rate instruments	(695 878)	(809 630)	(223 981)	(585 649)	–

36. Risk management continued

36.1 Liquidity risk continued

	30 June 2015 R'000	30 June 2014 R'000
Permitted borrowings for the Group		
Value of property portfolio (refer note 5)	**4 170 385**	2 226 525
40% of portfolio value	**1 668 154**	890 610
Other financial liabilities (gross)	**(2 023 629)**	(721 101)
Less: Redraw portion	**403 281**	25 223
Other financial liabilities (net)	**1 620 348**	(695 878)
Unutilised borrowing capacity	**47 806**	194 732
Loan to value (gross debt) (%)	**48,52**	32,39
Loan to value (net debt) (%)	**38,85**	31,25

36.2 Market risk

36.2.1 Interest rate risk

The Group is exposed to cash flow interest rate risk as it borrows funds at variable interest rates.

	30 June 2015 R'000	30 June 2014 R'000
Fixed rate instruments		
Financial liabilities	**(407 210)**	(1 465)
Variable rate instruments		
Financial assets	**349 853**	68 355
Financial liabilities	**(1 166 717)**	695 878
	(876 864)	(627 523)

Cash flow sensitivity analysis for variable rate instruments

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

	30 June 2015 R'000	30 June 2014 R'000
Effect on equity and profit or loss		
50 basis points increase	**(4 084)**	(3 138)
50 basis points decrease	**4 084**	3 138

The Company is exposed to interest rate risk and adopts a policy of ensuring that 70% to 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 set by the audit and risk committee. As a consequence, the Company 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.

36. Risk management continued

36.2 Market risk continued

36.2.2 Currency risk exposure

Currency risk related to investments in foreign operations

The Group has interest in entities which operate in the United Kingdom. A portion of the Group's revenue is earned in the United Kingdom which has a stable currency. It is not the Group's policy to hedge investments in foreign subsidiaries.

Currency risk related to foreign transactions

Each Group entity operates predominately within its own common monetary area and therefore the Group has no significant currency risk with regard to operational activities. It is 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.

36.3 Credit risk

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

	30 June 2015 R'000	30 June 2014 R'000
Trade and other receivables	**80 308**	23 026
Cash and cash equivalents	**220 385**	64 449
Restricted cash	**126 410**	–
Other non-current assets	**1 984**	3 059
	429 087	90 534

36.4 Fair value

	30 June 2015		30 June 2014	
	Carrying amount R'000	**Fair value R'000**	Carrying amount R'000	Fair value R'000
Financial assets				
Other non-current assets	**1 984**	**1 984**	3 059	3 059
Trade and other receivables	**80 308**	**80 308**	23 026	23 026
Restricted cash	**126 410**	**126 410**		
Cash and cash equivalents	**220 385**	**220 385**	64 449	64 449
	429 087	**429 087**	90 534	90 534
Financial liabilities				
Amortised cost	**(1 634 509)**	**(1 634 509)**	(736 835)	(736 835)
Fair value through profit or loss	**(2 970)**	**(2 970)**	(1 465)	(1 465)
	(1 637 479)	**(1 637 479)**	(738 200)	(738 200)

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 fixed rate financial liabilities are substantially the same as the carrying amounts reflected on the statement of financial position.

36. Risk management continued

36.4 Fair value continued

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; and
- 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 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 that use only observable market data and require little management 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. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with 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. Refer note 5. 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.

The table below analyses financial instruments carried at fair value, by valuation method.

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
30 June 2015				
Financial instrument				
Interest rate swap	**–**	**2 970**	**–**	**2 970**
Investment properties			**4 146 385**	**4 146 385**
Investment property held-for-sale			**24 000**	**24 000**
30 June 2014				
Financial instrument				
Interest rate swap	–	1 465	–	1 465
Investment properties	–	–	2 202 525	2 202 525
Investment property held-for-sale	–	–	24 000	24 000

37. Going concern

The financial statements have been prepared on a going concern basis and nothing has come to the attention of the directors to indicate that the Company and its subsidiaries would not remain going concerns for the foreseeable future.

The directors have reviewed the assumptions underlying the going-concern statements and these are discussed at every board meeting. These assumptions include:

- budgeting and forecasts;
- profitability;
- capital; and
- solvency and liquidity

Furthermore, those requirements such as stipulated by Standard Bank (for SA properties); Investec (for UK properties); Nedbank (for the share incentive scheme); and the PIC (for BEE transaction) have been satisfied in full.

38. Events after the reporting date

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

The Company completed the sale of the Brickfield Building on 10 July 2015.

The details of the acquisition and disposal are as follows:

Details	Acquisition Broad Street Mall	Held for sale Brickfield Building
Description of property	Broad Street Mall, Reading, registered at the Land Registry with freehold under title numbers BK383592 and BK383593 Retail shopping centre including an office space in two office buildings and a car park with over 740 spaces	Erf 13753, Salt River 5 – 9 Brickfield Road, Salt River, gross lettable area 5 251m^2
Purchase/(disposal) price	R570 935 520	(R28 500 000)
Payment method	Pound sterling loan facilities	Cash
Region	Reading, England	Western Cape
Sector	Retail	Commercial
Vacancy	7,2%	Nil
Tenant	Consists of 75 retail units and six kiosks	Single
Gross lettable area (GLA)	17 930m^2	5 251m^2

Up to the date of this report and subsequent to the year under review, the following share transactions have been concluded:

On Friday, 2 October 2015 Texton closed a rights offer that was fully subscribed. It was a partially underwritten rights offer to raise up to R986 million through the issue of 100 000 000 new Texton shares (rights offer shares) in the ratio of 36,22312 for every 100 Texton shares held on Friday, 18 September 2015, being the rights offer record date (record date), at an issue price of R9,86 per rights offer share (rights offer).

The Company has successfully raised the R986 million from shareholders or any other person in whose favour a shareholder has renounced all or a portion of their rights pursuant to the rights offer (renouncees). The results of the rights offer are set out below:

	Number of rights offer shares	% of rights offer shares
Rights offer shares available for subscription	100 000 000	100
Total number of rights offer shares applied for by shareholders or their renouncees pursuant to letters of allocation	68 927 757	68,93
Total applications received from shareholders wishing to acquire rights offer shares in addition to their rights entitlements (excess applications)	193 986	0,19
Rights offer shares allocated to shareholders or their renouncees pursuant to excess applications	193 986	0,19
Rights offer shares allocated to Luna Group Proprietary Limited (the underwriter)	30 878 257	30,88

Refer to director's report for allocation to directors and related parties.

39. Distributions

	30 June 2015 cents	30 June 2014 cents
Distribution per linked unit		
– Interim	–	40,00
– Final	–	–
	–	40,00
Dividend per share – declared		
– Interim	44,68	–
– Final subsequent to year-end	50,09	45,47
Total comparable distribution	94,77	85,47

40. Major beneficial shareholders (5% and more of shares in issue)

	Number of shares	% of issued capital
Business Venture Investments	38 069 071	13,8
Luna Group	23 653 945	8,6
Nedbank Group	23 230 792	8,4
Coronation Fund Managers	21 966 978	8,0
Stanlib	19 218 598	6,9
Old Mutual Asset Management Investment Group	15 764 837	5,7
Government Employees Pension Fund	14 891 188	5,4
Total	156 795 409	56,8

41. Investment in subsidiaries and Group entity

		Percentage holding	
Name	**Place of incorporation and operation**	**30 June 2015**	30 June 2014
Subsidiaries comprise:			
Zeya Investment Holdings Limited	United Kingdom	100	–
Chobe Investment Holdings Limited	United Kingdom	100	–
Chevelon Investment Holdings Limited	United Kingdom	100	–
Gladstone Investment Holdings Limited	United Kingdom	100	–
Heddon Investment Holdings Limited	United Kingdom	100	–
Discus House Proprietary Limited*	South Africa	100	–
Imperial Commercial Properties Proprietary Limited*	South Africa	100	–
Sable Place Properties 121 Proprietary Limited*	South Africa	100	–
Investage 183 Proprietary Limited*	South Africa	100	–
Nungu Trading 88 Proprietary Limited*	South Africa	100	–
Group entity comprises:			
Vunani Property Investment Trust	South Africa	**Sole beneficiary**	Sole beneficiary

* *An application to deregister Discus House Proprietary Limited, Imperial Commercial Properties Proprietary Limited, Sable Place Properties 121 Proprietary Limited, Investage 183 Proprietary Limited, Nungu Trading 88 Proprietary Limited has been made during this financial year.*

SHAREHOLDER INFORMATION

as at 30 June 2015

SHAREHOLDER INFORMATION

as at 30 June 2015

	Number of shareholders	% of total shareholders	Number of shares	% of issued capital
Shareholder				
1 – 1 000 shares	138	17,3	40 604	0,0
1 001 – 10 000 shares	326	41,0	1 543 360	0,5
10 001 – 100 000 shares	189	23,7	6 689 411	2,4
100 001 – 1 000 000 shares	98	12,3	32 096 876	11,6
1 000 001 shares and over	45	5,7	235 696 515	85,4
Total	**796**	**100,00**	**276 066 766**	**100,0**
Distribution of shareholders				
Collective investment schemes	75	9,4	118 317 205	42,9
Retirement benefit funds	74	9,3	19 554 780	7,1
Organs of state	2	0,3	14 891 188	5,4
Trusts	123	15,5	17 502 821	6,4
Assurance companies	12	1,5	6 182 893	2,2
Retail shareholders	409	51,4	10 439 198	3,8
Private companies	37	4,6	75 033 158	27,2
Foundations and charitable funds	11	1,4	1 358 202	0,5
Public companies	2	0,3	470 347	0,2
Medical aid funds	10	1,3	1 508 815	0,6
Custodians	2	0,3	289 750	0,1
Stockbrokers and nominees	10	1,3	446 885	0,2
Managed funds	6	0,8	489 169	0,2
Close corporations	16	2,0	339 064	0,1
Treasury	1	0,1	8 643 042	3,1
Public entities	1	0,1	195 534	0,1
Scrip lending	3	0,4	35 944	0,0
Insurance companies	1	0,1	350	0,0
Investment partnerships	1	0,1	368 421	0,1
Total	**796**	**100,2**	**276 066 766**	**100,2**

	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Shareholder type				
Non-public shareholders	9	1,1	69 856 631	25,3
Directors and associates of the Company	9	1,1	69 856 631	25,3
Public shareholders	787	98,9	206 210 135	74,7
Total	**796**	**100,0**	**276 066 766**	**100,0**

	Number of shares	% of issued capital
Fund managers with a holding greater than 3% of the issued shares		
Coronation Fund Managers	36 838 494	13,3
Grindrod Asset Management	25 472 000	9,2
Stanlib Asset Management	22 843 260	8,3
Old Mutual Investment Group	21 512 186	7,8
Investec Asset Management	20 189 115	7,3
Public Investment Corporation	14 364 675	5,2
Absa Asset Management	10 577 996	3,8
Total	**151 797 726**	**55,9**
Beneficial linked shareholders with a holding greater than 3% of the issued shares		
Business Venture Investments	38 069 071	13,8
Luna Group Proprietary Limited	23 653 945	8,6
Nedbank Group	23 230 792	8,4
Coronation Fund Managers	21 966 978	8,0
Stanlib	19 218 598	6,9
Old Mutual Group	15 764 837	5,7
Government Employees Pension Fund	14 891 188	5,4
Investec	12 127 168	4,4
Nooitgedacht Family Trust	11 137 948	4,0
PDNA Property Investment Proprietary Limited	11 039 439	4,0
Texton Property Fund Limited Share Scheme	8 643 042	3,1
Total	**199 743 006**	**72,3**

Total number of shareholders	**796**
Total number of shares in issue	**276 066 766**

JSE share price performance

Opening price 1 July 2014	R9,65
Closing price 30 June 2015	R9,80
Closing high for the period	R12,35
Closing low for the period	R9,25
Number of linked shares in issue	276 066 766
Volume traded during period	33 125 509
Ratio of volume traded to shares issued (%)	12,0
Rand value traded during the period	R347 324 983
Total number of deals	2 823

Shareholder diary

Financial year-end	30 June 2015
Publication of financial results	27 August 2015
Integrated annual report posted to shareholders	19 October 2015
Annual general meeting	17 November 2015

Cash dividend

Dividend declaration date	27 August 2015
Last date to trade in order to participate in cash dividend	9 October 2015
Shares trade ex distribution	12 October 2015
Record date	16 October 2015
Payment date	19 October 2015

NOTICE OF ANNUAL GENERAL MEETING

TEXTON
PROPERTY FUND

Texton Property Fund Limited

Approved as a REIT by the JSE
(Incorporated in the Republic of South Africa)
(Registration number 2005/019302/06)
JSE code: TEX • ISIN: ZAE000190542
(the Company)

This document is important and requires your immediate attention

If you are in any doubt about what action you should take, consult your broker, central securities depository participant (CSDP), legal adviser, banker, financial adviser, accountant or other professional adviser immediately.

If you have disposed of all your shares in the Company, please forward this document, together with the enclosed form of proxy, to the purchaser of such shares or the broker, banker or other agent through whom you disposed of such shares.

Included in this document are:

- the notice of general meeting, setting out the resolutions to be proposed thereat, together with explanatory notes. There are also guidance notes if you wish to attend the meeting or to vote by proxy; and
- a proxy form for use by shareholders holding the Company's shares in certificated form or recorded in sub-registered electronic form in own name.

Shareholders on the Company share register who have dematerialised their shares through STRATE, other than those whose shareholding is recorded in their own name in the sub-register maintained by their CSDP, and who wish to attend the meeting in person, will need to request their CSDP or broker to provide them with the necessary authority to do so in terms of the custody agreement entered into between the dematerialised shareholders and their CSDP or broker.

A shareholder (including certificated shareholders and dematerialised shareholders who hold their shares with own name registration) entitled to attend and vote at the meeting may appoint one or more proxy or proxies to attend, participate and vote in his/her/its stead. A proxy does not have to be a shareholder of the Company. The appointment of a proxy will not preclude the shareholder who appointed that proxy from attending the annual general meeting and participating and voting in person thereat to the exclusion of any such proxy. A form of proxy for use at the meeting is attached.

Notice to shareholders: annual general meeting (AGM)

NOTICE IS HEREBY GIVEN to shareholders as at 19 October 2015, being the record date to receive notice of the AGM in terms of section 59(1)(a) of the Companies Act, No 71 of 2008, as amended (the Companies Act), that the AGM of shareholders of the Company will be held in the boardroom, 54 Bompas Road, Dunkeld West, at 9:00 on Tuesday, 17 November 2015 to (i) deal with such other business as may lawfully be dealt with at the meeting; and (ii) consider and, if deemed fit, to pass, with or without modification, the following ordinary and special resolutions, in the manner required by the Companies Act, as read with the JSE Limited Listing Requirements (the JSE Listings Requirements), which meeting is to be participated in and voted by shareholders as at the voting record date of Friday, 6 November 2015 in terms of section 62 (3) (a), read with section 59 of the Companies Act.

Section 63 (1) of the Companies Act: identification of meeting participants

Kindly note that meeting participants (including proxies) are required to provide reasonably satisfactory identification before being entitled to attend or participate in a meeting. In this regard, all shareholders recorded in the registers of the Company on the record date for participating in and voting at the AGM will be required to provide identification satisfactory to the chairman of the AGM. Forms of identification include valid identity documents, driving licences and passports.

Section 62 (3)(e) of the Companies Act

In terms of section 62 (3)(e) of the Companies Act:

- a shareholder who is entitled to attend and vote at the AGM is entitled to appoint a proxy for two or more proxies to attend, participate in and vote at the meeting in the place of the shareholder; and
- a proxy need not be a shareholder of the Company.

The complete annual financial statements are included in the integrated annual report.

When reading the resolutions below, please refer to the explanatory notes for AGM resolutions on pages 118 to 120.

1. Special resolution number 1

Non-executive directors' remuneration

"Resolved as a special resolution in terms of section 66(9) of the Companies Act, as read with section 65(11)(h) and subject to the provisions of the Company's memorandum of incorporation and the JSE Listings Requirements in force from time to time, that the Company be and it is hereby authorised to pay remuneration to its non-executive directors for their service as directors and that the board of directors of the Company be and it is hereby authorised to determine the basis for such compensation as follows:

	All-inclusive fees per annum R'000
Chairperson of the board	330
Lead independent non-executive	300
Chairperson of the audit and risk committee	280
Chairperson of the investment committee	280
Chairperson of the remuneration and nominations committee	280
Chairperson of the social and ethics committee	280
Other non-executive directors	220

Special resolution number 1 is proposed in order to comply with the requirements of the Companies Act. The aforementioned rates have been proposed in order to ensure that the remuneration of non-executive directors remains competitive in order to enable the Company to attract persons of the calibre, capability, skill and experience required in order to make a meaningful contribution to the Company. The remuneration proposed is considered to be fair and reasonable and in the best interests of the Company.

In order for this special resolution number 1 to be adopted, the support of at least 75% of the total number of votes, which the shareholders present or represented by proxy at this meeting are entitled to cast, is required.

2. Special resolution number 2

Authority to repurchase ordinary shares

"Resolved that the Company or any of its subsidiaries be and are hereby authorised, by way of a general approval, to acquire ordinary shares issued by the Company, in terms of the Companies Act 2008, as amended, the Company's memorandum of incorporation and the rules and requirements of the JSE Limited (the JSE), being that:

- any such acquisition of ordinary shares shall be implemented on the open order book of the JSE and without any prior arrangement;
- this general authority shall be valid until the Company's next annual general meeting, provided that it shall not extend beyond 15 months from the date of registration of this special resolution;
- an announcement will be published as soon as the Company or any of its subsidiaries have acquired ordinary shares constituting, on a cumulative basis, 3% of the number of ordinary shares in issue prior to the acquisition pursuant to which the aforesaid 3% threshold is reached, and for each 3% in aggregate acquired thereafter, containing full details of such acquisitions;
- acquisitions of ordinary shares in aggregate in any one financial year may not exceed 20% of the Company's issued ordinary shares in issue and a maximum of 10% in aggregate of the Company's issued ordinary shares may be repurchased in terms of the Act, by the subsidiaries of the Company, at the date of passing of this special resolution;
- in determining the price at which ordinary shares issued by the Company are acquired by it or any of its subsidiaries in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% of the weighted average of the market value at which such ordinary shares are traded on the JSE over the five business days immediately preceding the date of repurchase of such ordinary shares;
- the Company is duly authorised by its memorandum of incorporation to acquire shares it has issued;
- at any point in time, the Company may only appoint one agent to effect any repurchase of shares on the Company's behalf;
- the board authorises the acquisition, the Company passes the solvency and liquidity test and that, from the time that test is done, there are no material changes to the financial position of the Company; and
- the Company and/or its subsidiaries do not repurchase any shares during a prohibited period in accordance with the JSE Listings Requirements, unless they have in place a repurchase programme in terms of which the dates and quantities of securities to be traded during the relevant period are fixed and full details of the programme have been disclosed to the JSE prior to the commencement of the prohibited period."

For the purpose of considering special resolution number 2 and in compliance with the JSE Listings Requirements, the information listed below has been included in the Company's annual financial statements, of which this notice of annual general meeting forms part, at the places indicated below:

- Major shareholders – refer to page 108 of the annual financial statements; and
- Stated capital of the Company – refer to page 76 of the annual financial statements.

Directors' report

The directors, whose names are set out on pages 28 and 29 of the annual financial statements, collectively and individually accept full responsibility for the accuracy of the information contained in this special resolution and so certify that to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement false or misleading and that they have made all reasonable enquiries in this regard.

Material change

At the date of completing this notice, there have been no material changes in the financial or trading position of the Company and its subsidiaries that have occurred since 30 June 2015.

At the present time the directors have no specific intention with regard to the utilisation of this authority, which will be used only if circumstances are appropriate.

NOTICE OF ANNUAL GENERAL MEETING continued

The directors are of the opinion that, after considering the effect of the maximum repurchase permitted and for a period of 12 months after the date of this notice:

- the Group and Company will be able, in the ordinary course of business, to pay their debts;
- the assets of the Group and Company will be in excess of the liabilities of the Group and Company, the assets and liabilities being recognised and measured in accordance with the accounting policies used in the latest annual financial statements;
- the ordinary share capital and reserves of the Group and Company are adequate for ordinary business purposes;
- the working capital of the Group and Company will be adequate for ordinary business purposes; and
- the directors have passed a resolution authorising the repurchase, resolving that the Group and Company have satisfied the solvency and liquidity test as defined in the Companies Act and resolving that since the solvency and liquidity test had been applied, there have been no material changes to the financial position of the Group and Company.

In order for this special resolution number 2 to be adopted, the support of at least 75% of the total number of votes, which the shareholders present or represented by proxy at this meeting are entitled to cast, is required.

3. Special resolution number 3

Financial assistance

"Resolved that, subject to the Company's memorandum of incorporation and subject to the requirements of the Companies Act and the JSE Listings Requirements in force from time to time, the board of directors of the Company may authorise the Company to provide direct or indirect financial assistance by way of loan, guarantee, the provision of security or otherwise to:

- any of its present or future subsidiaries and/or any other company or corporation that is or becomes related or inter-related to the Company for any purpose or in connection with any matter, including but not limited to, the subscription of any option, or any securities issued or to be issued by the Company or a related or inter-related company, or for the purchase of any securities of the Company or a related or inter-related company; and
- any of its present or future directors or prescribed officers (or any person related to any of them or to any company or corporation related or inter-related to any of them) or to any other person who is a participant in any of the Company's share or other employee incentive scheme, or to the employee incentive scheme itself, for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the Company or a related or inter-related company, or for the purchase of any securities of the Company or a related or inter-related company, where such financial assistance is provided in terms of any such scheme that does not satisfy the requirements of section 97 of the Companies Act, such authority to endure until the next annual general meeting of the Company."

In order for this special resolution number 3 to be adopted, the support of at least 75% of the total number of votes, which the shareholders present or represented by proxy at this meeting are entitled to cast, is required.

4. Special resolution number 4

Authority to directors to allot and issue shares

"Resolved that, to the extent required by section 41 of the Companies Act of South Africa, 2008 as amended, the board of directors of the Company may, subject to compliance with the requirements of the Company's MoI and the Companies Act of South Africa, 2008 as amended, each as presently constituted and as amended from time to time, authorise the Company to allot and issue shares in the Company to directors, future directors, prescribed officers and future prescribed officers of the Company pursuant to the Texton Property Fund Limited Share Incentive Scheme."

In order for special resolution number 4 to be adopted, the support of at least 75% of the total number of votes exercisable by shareholders, present in person or by proxy, is required to pass this resolution.

Reason for special resolution number 4

The Company would like to be able to allot and issue shares to directors and prescribed officers pursuant to The Texton Property Fund Limited Share Incentive Scheme.

5. Special resolution number 5

Authority to allot and issue shares to directors

"Resolved that, to the extent required by section 41 (1) of the Act, the board of directors of the Company may, subject to compliance with the requirements of the Memorandum of Incorporation, the Act and the JSE Listings Requirements, each as presently constituted and as amended from time to time, authorise the Company to allot and issue shares to directors (or related persons as contemplated in section 41(1) (b) of the Act):

- in respect of any placements, offers, book-builds or similar capital raisings announced on SENS, on the same terms as those upon which shares are offered to other qualifying investors in terms of such capital raise and shall be subject to all the applicable terms of the authority granted by shareholders in terms of ordinary resolution number 5 provided that the Company shall not be entitled to rely on this authority where the qualifying investors for any such publicly announced placements, offers, book-builds or similar public announced capital raisings comprise only of directors and/or related persons or where more than 17% of the shares being issued will be to directors or related persons;
- in respect of any vendor settlement transactions for the acquisition of property assets, which may be executed in terms of the general but restricted authority granted by shareholders to allot and issue authorised but unissued shares and shall be subject to all the applicable terms of such authority provided

that where the vendor is a related party as defined in the JSE Listings Requirements the Company shall not be entitled to rely on this authority to allot and issue vendor placement shares to any director or related persons;

- any shares issued to directors in terms of this resolution shall be taken into account in the calculation of any limits of authority to issue shares (by way of authority to issue authorised but unissued shares)."

Reason and effect for special resolution number 5

The reason for and the effect of special resolution number 5 is to authorise the issue of shares to directors and related persons as part of capital raisings or vendor placements.

In order for special resolution number 5 to be adopted, the support of at least 75% of the total number of votes exercisable by shareholders, present in person or by proxy, is required to pass this resolution.

6. Ordinary resolution number 1

Adoption of annual financial statements

The consolidated audited financial statements of the Company and its subsidiaries (as approved by the board of directors of the Company), including the directors' report and the external auditor's report for the year ended 30 June 2015, have been distributed as required and will be presented to shareholders for approval and adoption.

The complete annual financial statements are attached.

In order for this ordinary resolution number 1 to be adopted, the support of a simple majority (that is, 50% + 1) of the total votes exercised, which the shareholders present or represented by proxy at this meeting are entitled to cast, is required.

7. Ordinary resolution number 2

Reappointment of auditors

Appointment of auditor in terms of sections 61(8)(c) and 90 of the Companies Act

"Resolved that DD Thompson of KPMG Inc. be and is hereby reappointed as auditor of the Company (for its financial year to end on 30 June 2016) and that their appointment be of full force and effect until the conclusion of the Company's next annual general meeting.

The audit and risk committee has evaluated the performance and independence of KPMG Inc. and DD Thompson and recommend their reappointment as auditors of the Company under section 90 of the Companies Act.

In order for this ordinary resolution number 2 to be adopted, the support of a simple majority (that is, 50% + 1) of the total votes exercised, which the shareholders present or represented by proxy at this meeting are entitled to cast, is required.

8. Ordinary resolution number 3

Re-election and confirmation of directors

The following directors retire in terms of clause 28.16 of the Company's memorandum of incorporation, namely:

- Ms PM Tau-Sekati
- Mr PD Naidoo
- Mr TS Sishuba

The appointment of the following directors is to be confirmed in terms of clause 28.3 of the Company's memorandum of incorporation:

- Mr RB Makhubela

"Resolved that:

8.1 The following directors, who are to retire in terms of clause 28.16 of the Company's memorandum of incorporation, but, being eligible, offer themselves for re-election, be and are hereby re-elected each by way of a separate resolution:

8.1.1 Ms PM Tau-Sekati

8.1.2 Mr PD Naidoo

8.1.3 Mr TS Sishuba

8.2 The appointment of the following director, who was appointed by the board of directors during the year under review, be and is confirmed in terms of clause 28.3 of the Company's memorandum of incorporation:

8.2.1 Mr RB Makhubela"

Brief CVs of all the directors appear on pages 28 and 29 of this integrated annual report.

In order for these ordinary resolution numbers 8.1.1, 8.1.2, 8.1.3 and 8.2.1 to be adopted, the support of a simple majority (that is, 50% + 1) of the total votes exercised, which the shareholders present or represented by proxy at this meeting are entitled to cast, is required.

9. Ordinary resolution number 4

Election of members to the audit and risk committee

"Resolved that the following directors, who meet the requirements of section 94 (4) of the Companies Act, be and are hereby elected on a separate (and not collective) basis as members of the audit and risk committee in terms of section 94 (2) of the Companies Act until the next AGM:

9.1 Mr JR Macey (chairman and member)

9.2 Ms KN Vundla

9.3 Mr TS Sishuba."

Brief CVs of all the proposed members of the audit and risk committee appear on pages 28 and 29 of this integrated annual report

In order for these ordinary resolution numbers 9.1, 9.2 and 9.3 to be adopted, the support of a simple majority (that is, 50% + 1) of the total votes exercised, which the shareholders present or represented by proxy at this meeting are entitled to cast, is required.

10. Ordinary resolution number 5

General but restricted authority to allot and issue authorised but unissued shares

"Resolved that, subject to the restrictions set out below, the authorised but unissued shares of the Company be and are hereby placed under the control of the directors pursuant, *inter alia*, to the Company's memorandum of incorporation and subject to the provisions of the Companies Act and the Listings Requirements, until this authority lapses which shall be at the next AGM, provided that it shall not extend beyond 15 months from the date of passing this resolution to allot or issue any such shares at their discretion, provided that in all instances (save in respect of an offer of unissued shares to existing shareholders *pro rata* to their shareholdings) the following requirements are complied with:

(a) The total aggregate number of shares which may be issued in terms of this authority may not exceed 37 606 677 shares, being 10% of the Company's issued shares. Accordingly, any shares issued under this authority prior to this authority lapsing shall be deducted from the shares the Company is authorised to issue in terms of this authority for the purpose of determining the remaining number of shares that may be issued in terms of this authority.

(b) In determining the price at which an issue of ordinary shares may be made in terms of this authority, the maximum discount permitted will be 5% of the weighted average traded price, adjusted for any *cum* distribution portion if applicable, of the ordinary shares in question, measured over the 30 business days prior to the date on which the price of such issue is agreed between the Company and the subscribers for the shares to be issued or the 30 business days prior to the date the directors resolve to issue such new shares or the three business days prior to the issue of such new shares.

(c) This authority shall be restricted to vendor settlements only for the acquisition of property assets."

Note: No issue will be made that could effectively transfer control of the Company without the prior approval of shareholders at a general meeting.

In order for this ordinary resolution number 5 to be adopted, the support of a simple majority (that is, 50% + 1) of the total votes exercised, which the shareholders present or represented by proxy at this meeting are entitled to cast, is required.

11. Ordinary resolution number 6

Specific authority to issue shares to afford shareholders distribution reinvestment alternatives

"Resolved that, subject to the provisions of the Companies Act, 2008, as amended, and the Listings Requirements of the JSE Limited, the directors be and they are hereby authorised by way of a specific standing authority to issue ordinary shares of no par value ordinary shares as and when they deem appropriate, for the exclusive purpose of affording shareholders opportunities from time to time to elect to reinvest their distributions in new ordinary shares of the Company."

In order for this ordinary resolution number 6 to be adopted, the support of a simple majority (that is, 50% + 1) of the total votes exercised, which the shareholders present or represented by proxy at this meeting are entitled to cast, is required.

12. Ordinary resolution number 7

Implementation of resolutions

"Resolved that any director of the Company, and where applicable the secretary of the Company, be and is hereby authorised to do all such things, sign all such documents and take all actions as may be necessary to implement the above ordinary and special resolutions."

In order for this ordinary resolution number 7 to be adopted, the support of a simple majority (that is, 50% + 1) of the total votes exercised, which the shareholders present or represented by proxy at this meeting are entitled to cast, is required.

13. Voting procedures and electronic participation

13.1 On a show of hands, every shareholder present in person or represented by proxy and entitled to vote shall have only one vote irrespective of the number of shares such shareholder holds. On a poll, every shareholder present in person or represented by proxy and entitled to vote shall be entitled to one vote for every share held or represented by that shareholder. On a poll taken at any such meeting the shareholder entitled to more than one vote need not, if he/she votes, use all of his/her votes, or cast all the votes he/she uses in the same way.

Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with own name registration, should contact their CSDP or broker in the manner and time stipulated in the agreement entered into between them and their CSDP or broker:

13.1.1 to furnish them with their voting instructions; or

13.1.2 in the event that they wish to attend the general meeting, to obtain the necessary letter of representation to do so.

13.2 Shareholders wishing to participate electronically in the AGM are required to deliver written notice to the Company at 54 Bompas Road, Dunkeld West (marked for the attention of the chief executive officer), by no later than 9:00 on Friday, 13 November 2015 that they wish to participate via electronic communication at the AGM (the Electronic Notice). In order for the Electronic Notice to be valid, it must contain: (a) if the shareholder is an individual, a certified copy of his/her identity document and/or passport; (b) if the shareholder is not an individual, a certified copy of a resolution by the relevant entity and a certified copy of the identity documents and/or passports of the persons who passed the relevant resolution. The relevant resolution must set out who from the relevant entity is authorised to represent the relevant entity at the AGM via electronic communication; (c) a valid email address and/or facsimile number (the Contact Address/Number). By no later than 9:00 on Friday, 13 November 2015, the Company shall use its reasonable endeavours to notify a shareholder at its Contact Address/Number who has delivered a valid Electronic Notice of the relevant details through which the shareholder can participate via electronic participation.

14. Proxies

14.1 A shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend, participate in and vote at the meeting in the place of the shareholder. A proxy need not also be a shareholder of the Company.

14.2 Shareholders who have not dematerialised their shares or who have dematerialised their shares with own name registration, and who are entitled to attend and vote at the AGM, are entitled to appoint one or more proxies to attend, speak and vote in their stead. A proxy need not be a shareholder and shall be entitled to vote on a show of hands or poll. It is requested that proxy forms be forwarded so as to reach the transfer secretaries no later than 9:00 on Friday, 13 November 2015. If shareholders who have not dematerialised their shares or who have dematerialised their shares with own name registration and who are entitled to attend and vote at the AGM do not deliver proxy forms to the transfer secretaries by 9:00 on Friday, 13 November 2015, such shareholders will nevertheless at any time prior to the commencement of the voting on the resolutions at the AGM be entitled to lodge the form of proxy in respect of the AGM, in accordance with the instructions therein with the chairperson of the AGM. Proxy forms must only be completed by shareholders who have not dematerialised their shares or who have dematerialised their shares with "own name" registration.

By order of the board

AN de Rauville
Chief executive officer

Business address and registered office
54 Bompas Road, Dunkeld West 2196

South African transfer secretaries
Computershare Investor Services Proprietary Limited
(Registration number 2004/003647/07)
70 Marshall Street, Johannesburg 2001
PO Box 61051, Marshalltown 2107
Fax: +27 11 688 5238

Shareholder communication
Computershare Investor Services Proprietary Limited
(Registration number 2004/003647/07)
70 Marshall Street, Johannesburg 2001
PO Box 61051, Marshalltown 2107
Fax: +27 11 688 5238

EXPLANATORY NOTES TO THE RESOLUTIONS

PROPOSED AT THE ANNUAL GENERAL MEETING OF THE COMPANY

1. Election of audit and risk committee – ordinary resolution number 4

1.1 In terms of the Companies Act, the audit and risk committee is no longer a committee of the board but a committee elected by shareholders at each AGM.

1.2 In terms of the regulations promulgated in terms of the Companies Act, at least one-third of the members of the Company's audit committee at any particular time must have academic qualifications, or experience, in economics, law, corporate governance, finance, accounting, commerce, industry, public affairs or human resource management. Confirmation is hereby provided of compliance in such regard.

2. Re-election of directors

Ordinary resolution number 3 (refer 8.1 on page 115) provides for the re-election of retiring directors in accordance with the memorandum of incorporation.

3. Approval of reappointment of external auditors – ordinary resolution number 2

In compliance with section 90 of the Companies Act, KPMG Inc. is proposed to be reappointed as auditor for the financial year ending 30 June 2016 and until the conclusion of the next annual general meeting.

4. General but restricted authority to directors to allot and issue authorised but unissued shares – ordinary resolution number 5

4.1 In terms of article 8 of the Company's memorandum of incorporation, read with the JSE Listings Requirements, the shareholders of the Company may authorise the directors to, *inter alia*, issue any unissued shares and/or grant options over them as the directors in their discretion think fit.

4.2 The directors have decided to seek annual renewal of its authority in accordance with best practice. The directors have no current plans to make use of this authority but wish to ensure by having it in place that the Company has the necessary flexibility in managing the Company's capital resources and to enable the Company to take advantage of any business opportunity that may arise in future.

4.3 In terms of the JSE Listings Requirements, when shares are issued for cash (or their extinction of a liability, obligation or commitment, restraint or settlement of expenses), the shareholders have to authorise the issue.

5. Signature of documentation – ordinary resolution number 8

Directors are authorised to do such things and sign any documents and to take any steps as may be necessary or expedient to give effect to and implement all resolutions passed at this meeting.

6. Remuneration payable to non-executive directors – special resolution number 1

6.1 In terms of sections 66(8) and 66(9) of the Companies Act, which took effect on 1 May 2011, the remuneration may only be paid to directors for their services as directors in accordance with the special resolution approved by the shareholders within the previous two years and if not prohibited in terms of a company's memorandum of incorporation. In terms of clause 23 of the Company's memorandum of incorporation, the directors shall be entitled to such remuneration as may be determined by the Company in general meeting by an ordinary resolution. Although the Company has been advised that, in terms of the transitional provisions of the Companies Act, clause 91 of the memorandum of incorporation could possibly prevail in the interim in respect of this apparent conflict between such article and the Companies Act, the board of directors nonetheless wishes to comply with the provisions of the Companies Act and as such the resolution is proposed as a special resolution.

6.2 Special resolution number 1 is required to obtain the approval of the Company, in general meeting, of the revised remuneration payable to the non-executive directors for the 12-month period in question. Increases in remuneration are only implemented after formal approval by shareholders.

7. General authority for the Company and/or a subsidiary of the Company to repurchase or purchase, as the case may be, shares in the Company – special resolution number 2

7.1 The reason for and effect of this resolution is to grant the Company and its subsidiaries a general authority to facilitate the acquisition by the Company and/or its subsidiaries of the Company's own shares. Any decision by the directors, after considering the effect of an acquisition of the Company's issued shares, to use the general authority to acquire shares of the Company will be taken with regard to the prevailing market conditions and other factors and provided that, after such acquisition, the directors are of the opinion that:

7.1.1 the Company and its subsidiaries will be able to pay their debts in the ordinary course of business;

7.1.2 recognised and measured in accordance with the accounting policies used in the latest audited annual financial statements, the assets of the Company and its subsidiaries will exceed the liabilities of the Company and its subsidiaries;

7.1.3 the share capital and the reserves of the Company and its subsidiaries will be adequate for the purposes of the business of the Company and its subsidiaries; and

7.1.4 the working capital of the Company and its subsidiaries will be adequate for the purpose of the Company and its subsidiaries, for the period of 12 months after the date of the notice of AGM;

7.2 The directors are of the opinion that it would be in the best interests of the Company to provide such general authority and thereby allow the Company or any subsidiary of the Company to be in a position to repurchase or purchase, as the case may be, the shares issued by the Company through the order book of the JSE, should the market conditions and price justify such action;

7.3 This general approval shall be valid until the earlier of the next annual general meeting of the Company, or the variation or revocation of such general authority by special resolution passed at any subsequent general meeting of the Company, provided that the general authority shall not be extended beyond 15 months from the date of passing the special resolution. The resolution is required to be passed, if voted on by a poll, by not less than 75% of the total votes to which the shareholders present in person or by proxy at the meeting are entitled.

8. General authority for the Company to provide financial assistance to its subsidiaries and other related and inter-related companies and corporations and to directors, prescribed officers and other persons participating in share or other employee incentive schemes – special resolution number 3

8.1 Notwithstanding the title of section 45 of the Companies Act, being Loans or other Financial Assistance to Directors, on a proper interpretation, the body of the section may also apply to financial assistance provided by a company to related or inter-related companies, entities, including, *inter alia,* its subsidiaries for any purpose.

8.2 Furthermore, section 44 of the Companies Act may also apply to the financial assistance so provided by a company to related or inter-related companies, in the event that financial assistance is provided for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the company or a related or inter-related company, or for the purchase of any securities of the company or a related or inter-related company.

8.3 Both sections 44 and 45 of the Companies Act provide, *inter alia,* that the particular financial assistance must be provided only pursuant to a special resolution of the shareholders, adopted within the previous two years, which approved such assistance either for the specific recipient, or generally for a category of potential recipients, and the specific recipient falls within that category and the board of directors must be satisfied that:

8.3.1 immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test; and

8.3.2 the terms under which financial assistance is proposed to be given are fair and reasonable to the Company.

8.4 The Company is not precluded from providing financial assistance to its subsidiaries or directors as contemplated in sections 44 and 45 of the Companies Act. The Company would like the ability to provide financial assistance, if necessary, also in other circumstances, in accordance with section 45 of the Companies Act. Further, it may be necessary or desirable for the Company to provide financial assistance to related or inter-related companies and corporations to subscribe for options or securities or purchase securities of the Company or other companies related or inter-related to it. Under the Companies Act, the Company will, however, require the special resolution referred to above to be adopted. In the circumstances and in order to, *inter alia,* ensure that the Company's subsidiaries and other related and inter-related companies and corporations have access to financing and/or financial backing from the Company (as opposed to banks), it is necessary to obtain the approval of shareholders as set out in special resolution number 3.

9. Voting and proxies

9.1 Every holder of shares present in person or by proxy at the meeting, or in the case of a body corporate represented at the meeting, shall be entitled to one vote on a show of hands and on a poll shall be entitled to one vote for every share held.

9.2 A shareholder (including certificated shareholders and dematerialised shareholders who hold their shares with own name registration) entitled to attend and vote at the meeting may appoint one or more proxies

EXPLANATORY NOTES TO THE RESOLUTIONS continued
PROPOSED AT THE ANNUAL GENERAL MEETING OF THE COMPANY

to attend, participate and vote in his/her/its stead. A proxy does not have to be a shareholder of a company. The appointment of a proxy will not preclude the shareholder who appointed that proxy from attending the annual general meeting and participating and voting in person thereat to the exclusion of any such proxy. A proxy form for use at the meeting is attached.

9.3 It is requested that duly completed proxy forms or powers of attorney be lodged at the registered office of the Company or with the Company's South African transfer secretary, at Computershare, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) not less than 48 hours before the time appointed for holding the AGM. If shareholders who have not dematerialised their shares or who have dematerialised their shares with own name registration, and who are entitled to attend and vote at the AGM, do not deliver forms of proxy to the transfer secretaries by the time referred to as aforesaid, such shareholders will nevertheless at any time prior to the commencement of the voting on the resolutions at the AGM be entitled to lodge a form of proxy in respect of the AGM, in accordance with the instructions with the chairperson of the AGM.

9.4 The attention of shareholders is directed to the additional notes relating to the form of proxy attached, which notes are set out in the proxy form.

9.5 Dematerialised shareholders, other than dematerialised shareholders who hold their shares with own name registration, who wish to attend the AGM must contact their CSDP or broker who will furnish them with the necessary authority to attend the AGM or they must instruct their CSDP or broker as to how they wish to vote in this regard. This must be done in terms of the agreement entered into between such shareholder and its CSDP or broker.

FORM OF PROXY

TEXTON
PROPERTY FUND

Texton Property Fund Limited

Approved as a REIT by the JSE
(Incorporated in the Republic of South Africa)
(Registration number 2005/019302/06)
JSE code: TEX • ISIN: ZAE000190542
(the Company)

To be completed by registered dematerialised shareholders with own name registration only.

For use in respect of the annual general meeting to be held at the Company's offices, 54 Bompas Road, Dunkeld West 2196 on Tuesday, 17 November 2015 at 9:00.

Shareholders who have dematerialised their shares with a CSDP or broker, other than with own name registration, must arrange with the CSDP or broker concerned to provide them with the necessary Letter of Representation to attend the general meeting or the shareholders concerned must instruct their CSDP or broker as to how they wish to vote in this regard. This must be done in terms of the agreement entered into between the shareholder and the CSDP or broker concerned.

I/We (full name in block letters) _____

of (address) _____

Telephone (work) _____ Telephone (home) _____

being the holder(s) of _____ shares in the Company, appoint (see note 1):

_____ or failing him/her,

_____ or failing him/her,

the chairman of the annual general meeting,

as my/our proxy to act on my/our behalf at the general meeting which is to be held for the purpose of considering and, if deemed fit, passing, with or without modification, the ordinary resolutions to be proposed thereat and at any adjournment thereof and to vote for or against the ordinary resolutions or to abstain from voting in respect of the shares registered in my/our name/s, in accordance with the following instructions (see note 2):

	Number of votes (one vote per ordinary share)		
	For	Against	Abstain
Special resolution number 1 Remuneration payable to non-executive directors			
Special resolution number 2 Repurchase of Company shares			
Special resolution number 3 Financial assistance			
Special resolution number 4 Authority to directors to allot and issue shares			
Special resolution number 5 Authority to allot and issue shares to directors			
Ordinary resolution number 1 Adoption of annual financial statements for the year ended 30 June 2015			
Ordinary resolution number 2 Appointment of auditor (KPMG Inc.) in terms of section 61(8)(c) of the Companies Act			
Ordinary resolution number 3 (refer to 8.1.1) Re-election of PM Tau-Sekati as a director			

FORM OF PROXY continued

	Number of votes (one vote per ordinary share)		
	For	Against	Abstain
Ordinary resolution number 3 (refer to 8.1.2) Re-election of PD Naidoo as a director			
Ordinary resolution number 3 (refer to 8.1.3) Re-election of TS Sishuba as a director			
Ordinary resolution number 3 (refer to 8.2.1) Confirmation of RB Makhubela as a director			
Ordinary resolution number 4 (refer to 9.1) Election of audit committee member: section 94(2) of the Companies Act (JR Macey)			
Ordinary resolution number 4 (refer to 9.2) Election of audit committee member: section 94(2) of the Companies Act (KN Vundla)			
Ordinary resolution number 4 (refer to 9.3) Election of audit committee member: section 94(2) of the Companies Act (TS Sishuba)			
Ordinary resolution number 5 General but restricted authority to allot and issue authorised but unissued shares			
Ordinary resolution number 6 Specific authority to issue shares to afford shareholders distribution reinvestment alternatives			
Ordinary resolution number 7 Implementation of resolutions			

Please indicate instructions to proxy in the space provided above by the insertion therein of the relevant number of votes exercisable.

Each shareholder is entitled to appoint one or more proxies (who need not be a shareholder of the Company) to attend, speak and, on a poll, vote in place of that shareholder at the general meeting.

Signed at _____ on _____ 2015

Signature(s) _____

Capacity _____

Please read the notes on the next page.

NOTES TO THE FORM OF PROXY

1. A member may insert the name of a proxy or the names of two alternate proxies of the member's choice in the space(s) provided, with or without deleting the chairman of the annual general meeting. The person whose name stands first on the form of proxy and who is present at the general meeting will be entitled to act as proxy to the exclusion of those whose names follow.

2. A member should insert an X in the relevant space according to how he/she wishes his/her votes to be cast. However, if a member wishes to cast a vote in respect of a lesser number of shares than he/she owns in the Company, he/she should insert the number of shares held in respect of which he/she wishes to vote. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the general meeting as he/she deems fit in respect of all the member's votes exercisable at the general meeting. A member is not obliged to exercise all of his/her votes, but the total of the votes cast and abstentions recorded may not exceed the total number of the votes exercisable by the member.

3. The completion and lodging of this form of proxy will not preclude the relevant member from attending the general meeting and speaking and voting in person to the exclusion of any proxy appointed in terms hereof, should such member wish to do so.

4. The chairman of the general meeting may reject or accept any form of proxy, which is completed and/or received, other than in compliance with these notes.

5. Shareholders who have dematerialised their shares with a CSDP or broker, other than with own name registration, must arrange with the CSDP or broker concerned to provide them with the necessary Letter of Representation to attend the general meeting, or the shareholders concerned must instruct their CSDP or broker as to how they wish to vote in this regard. This must be done in terms of the agreement entered into between the shareholder and the CSDP or broker concerned.

6. Any alteration to this form of proxy, other than the deletion of alternatives, must be signed, not initialled, by the signatory/ies.

7. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity (e.g. on behalf of a company, close corporation, trust, pension fund, deceased estate, etc.) must be attached to this form of proxy, unless previously recorded by the Company or waived by the chairman of the general meeting.

8. A minor must be assisted by his/her parent or guardian, unless the relevant documents establishing his/her capacity are produced or have been recorded by the Company.

9. Where there are joint holders of shares:
   - any one holder may sign the form of proxy; and
   - the vote of the senior joint holder who tenders a vote, as determined by the order in which the names stand in the Company's register of members, will be accepted.

10. To be valid, the completed forms of proxy must either (a) be lodged so as to reach the transfer secretaries by no later than the Relevant Time; or (b) be lodged with the chairperson of the general meeting prior to the general meeting so as to reach him by no later than immediately prior to the commencement of voting on the ordinary resolutions to be tabled at the general meeting.

11. The proxy appointment is revocable by the shareholders giving written notice of the cancellation to the Company prior to the general meeting or any adjournment thereof. The revocation of the proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholders as of the later of: (i) the date stated in the written notice, if any; or (ii) the date on which the written notice was delivered as aforesaid.

12. If the instrument appointing a proxy or proxies has been delivered to the Company, any notice that is required by the Act or the articles to be delivered by the Company to shareholders must (as long as the proxy appointment remains in effect) be delivered by the Company to: (i) the shareholder; or (ii) the proxy or proxies of the shareholder must direct the Company to do so, in writing and pay it any reasonable fee charged by the Company for doing so.

Summary of the rights established in terms of section 58 of the Companies Act, 71 of 2008 (the Act)

For purposes of this summary, shareholder shall have the meaning ascribed thereto in the Act

1. At any time a shareholder of a company is entitled to appoint an individual, including an individual who is not a shareholder of that company, as a proxy, to participate in, and speak and vote at, a shareholders' meeting on behalf of the shareholder, or give or withhold written consent on behalf of such shareholder in relation to a decision contemplated in section 60 of the Act.

2. A proxy appointment must be in writing, dated and signed by the relevant shareholder, and such proxy appointment remains valid for one year after the date upon which the proxy was signed, or any longer or shorter period expressly set out in the appointment, unless it is revoked in a manner contemplated in section 58(4)(c) of the Act or expires earlier as contemplated in section 58(8)(d) of the Act.

NOTES TO THE FORM OF PROXY continued

3. Except to the extent that the memorandum of incorporation of a company provides otherwise:

3.1 a shareholder of the relevant company may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by such shareholder;

3.2 a proxy may delegate his/her authority to act on behalf of a shareholder to another person, subject to any restriction set out in the instrument appointing the proxy; and

3.3 a copy of the instrument appointing a proxy must be delivered to the relevant company, or to any other person on behalf of the relevant company, before the proxy exercises any rights of the shareholder at a shareholders' meeting.

4. Irrespective of the form of instrument used to appoint a proxy, the appointment of the proxy is suspended at any time and to the extent that the shareholder who appointed that proxy chooses to act directly and in person in the exercise of any rights as a shareholder of the relevant company.

5. Unless the proxy appointment expressly states otherwise, the appointment of a proxy is revocable. If the appointment of a proxy is revocable, a shareholder may revoke the proxy appointment by cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and the Company.

6. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the relevant shareholder as of the later of the date: (a) stated in the revocation instrument, if any; or (b) upon which the revocation instrument is delivered to the proxy and the relevant company as required in section 58(4)(c)(ii) of the Act.

7. If the instrument appointing a proxy or proxies has been delivered to the relevant company, as long as that appointment remains in effect, any notice that is required by the Act or the relevant company's memorandum of incorporation to be delivered by such company to the shareholder, must be delivered by such company to the shareholder, or to the proxy or proxies, if the shareholder has directed the relevant company to do so in writing and paid any reasonable fee charged by the Company for doing so.

8. A proxy is entitled to exercise, or abstain from exercising, any voting right of the relevant shareholder without direction, except to the extent that the memorandum of incorporation, or the instrument appointing the proxy, provides otherwise.

9. If a company issues an invitation to shareholders to appoint one or more persons named by such company as a proxy, or supplies a form of instrument for appointing a proxy:

9.1 such invitation must be sent to every shareholder who is entitled to notice of the meeting at which the proxy is intended to be exercised;

9.2 the invitation, or form of instrument supplied by the relevant company, must: (a) bear a reasonably prominent summary of the rights established in section 58 of the Act; (b) contain adequate blank space, immediately preceding the name or names of any person or persons named in it, to enable a shareholder to write in the name and, if so desired, an alternative name of a proxy chosen by such shareholder; and (c) provide adequate space for the shareholder to indicate whether the appointed proxy is to vote in favour of or against the applicable resolution/s to be put at the relevant meeting, or is to abstain from voting;

9.3 the Company must not require that the proxy appointment be made irrevocable; and

9.4 the proxy appointment remains valid only until the end of the relevant meeting at which it was intended to be used, unless revoked as contemplated in section 58(5) of the Act.

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