CONDENSED UNAUDITED CONSOLIDATED INTERIM FINANCIAL RESULTS

for the six months ended 31 December 2020

TEXTON

PROPERTY FUND

KEY METRICS

PORTFOLIO VALUE*

R4,240 billion ↓ 5,1%

(30 June 2020: R4,470 billion)

LOAN TO VALUE ("LTV") RATIO#

42,9% ↓ (3,3%)

(30 June 2020: 46,2%)

NET ASSET VALUE ("NAV")

609,66 cents per share ↑ (4,3%)

(30 June 2020: 584,30 cents per share)

PORTFOLIO BY GROSS LETTABLE AREA ("GLA")*

342 804m² ↓ (5,9%)

(48 PROPERTIES)

(30 June 2020: 364 356m² (53 properties))

CORE PORTFOLIO VACANCIES^

9,5% ↑ 1,3%

(30 June 2020: 8,2%)

INVESTMENT PROPERTY INCOME

R243,3 million ↓ 8,8%

(31 December 2019: 266,8 million)

NET PROPERTY INCOME

R151,2 million ↓ 11,9%

(31 December 2019: R171,6 million)

INTEREST COVER RATIO

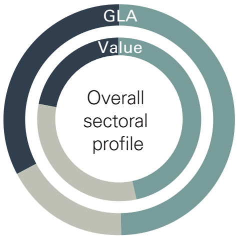
3,0 times ↑ 7,1%

(30 June 2020: 2,8 times)

* *Includes Texton's 50% share of Broad Street Mall.*

^ *Core vacancy data excludes properties held for sale for both periods under review. The most significant property vacant at 31 December 2020 is 12 Laub Street (GLA of 27 450m²), which was previously occupied by Edcon Limited and is not considered core to the portfolio and is included in our assets held for sale at 31 December 2020. Total vacancy for the portfolio for the period increased from 11,0% as at 30 June 2020 to 17,2% predominantly caused by the vacancy at 12 Laub Street. Further detail can be found on page 7.*

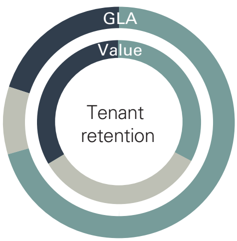
\# *Calculated according to REIT Best Practice Recommendations ("BPR") 2019 second edition guidelines.*



Sector	GLA m²	GLA %	Value R000's	Value %
Office	170 493	49,7	1 959 116	46,2
Retail	56 806	16,6	1 285 736	30,3
Industrial	115 505	33,7	995 972	23,5
	342 804	**100,0**	**4 240 824**	**100,0**

New leases*	GLA m²	GLA %	No of tenants	No of tenants %
Office	6 140	66,5	23	62,2
Retail	1 291	14,0	8	21,6
Industrial	1 803	19,5	6	16,2
	9 234	**100,0**	**37**	**100,0**

New leases were only concluded in South Africa ("SA")



Tenant retention*	GLA expired m²	GLA retained m²	No of tenants retained	GLA retention %
Office	13 188	11 276	9	85,5
Retail	1 765	1 546	2	87,6
Industrial	3 647	3 157	3	86,6
	18 600	**15 979**	**14**	**85,9**

* *The tables and graphs above show the sector profile and leasing activity for Texton's wholly-owned portfolio situated in SA and the United Kingdom ("UK").*

COMMENTARY

About Texton

Texton Property Fund Limited ("Texton" or "the company" or "the fund" or "the group") is a Real Estate Investment Trust ("REIT") listed on the JSE. The company internally manages R4,2 billion of property assets with retail, office and industrial exposure located in South Africa ("SA") and the United Kingdom ("UK").

Texton owns 48 (30 June 2020: 53) properties located in both SA and the UK. The split of the portfolio by value is 55,4% (30 June 2020: 55,9%) in SA and 44,6% (30 June 2020: 44,1%) in the UK (including our portion of Broad Street Mall). The portfolio by value in SA is made up of 76,1% office, 15,6% industrial and 8,3% retail. The wholly-owned portion of our UK portfolio is made up of 14,0% office, 22,5% retail and 63,5% industrial by value.

Performance for the six months ended 31 December 2020

Our results reflect the company's strong operational focus and a hands-on, proactive approach to property asset management and protecting our balance sheet through active risk management.

During the past six months, we have disposed of R138,5 million (30 June 2020: R213 million) of non-core assets to streamline operations and make funds available to pay down debt. Our LTV[1] profile continues to improve and has fallen from 46,2% to 42,9% due to our focused approach on balance sheet management.

South Africa

- The SA economy continues to face economic challenges, exacerbated by increased load shedding and the resurgence of the 2019 coronavirus disease ("COVID-19") pandemic ("the pandemic")
- Maintained core vacancy level at 9,5% following a concerted effort to sell underperforming assets and target our attention on letting vacant properties across the portfolio
- Re-let 86% of expiring GLA, a strong letting performance in the current environment
- Transferred six of the 12 properties held as available for sale in SA at 30 June 2020, to the value of R139 million. Post period-end, two properties totalling R42 million were transferred, bringing the total value of properties sold in SA to R180 million. Significant delays are being experienced in obtaining municipal clearance due to closures which are resulting in the sales process being unnecessarily cumbersome and time-consuming
- Healthy collection rate of 97,8%[2] until 31 December 2020 and 97% after year-end.

United Kingdom

- The UK economy remained contracted due to the COVID-19 national lockdowns. Now that the roll-out of the COVID-19 vaccine programme has begun, we are hopeful that the recovery phase will follow
- Maintained our collection rate on our wholly-owned properties at 97%
- Concluded the sale of our Poundland property post year-end for £3,7 million, further reducing Texton's exposure to retail assets and improving the weighted average lease expiry ("WALE") and income profile of the remaining UK portfolio
- Agreed to sale of DHL Bawtry distribution warehouse subject to shareholder approval for £22,7 million
- Our wholly-owned property portfolio is 100% let with a WALE of c.8,7 years.

Broad Street Mall – joint venture[3]

- Transformation project underway to reposition Broad Street Mall as a diversified mixed-use property in Reading, a top 20 town in the UK
- Achieved resilient collections of 81% during the period under review reinforcing the defensive community nature of the mall.

Balance sheet management

- LTV decreased from 46,2% to 42,9% at year-end
- De-risked the balance sheet by converting £7,5 million of debt secured against the SA portfolio into Rand, and further reducing cross-currency interest rate swap ("CCIRS") exposure by £7,5 million

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[1] *LTV is calculated based on SA REIT BPR 2019 second edition guidelines.*
[2] *Excluding billings to Edcon Limited who are under business rescue and have cancelled their lease from 1 November 2020.*
[3] *Texton has a 50% share in a joint venture with Moorgarth Holdings (Luxembourg) s.a.r.l ("Moorgarth"), a subsidiary of JSE-listed Tradehold Limited.*

- Reduced long-term debt by R190 million[4]
- Entities remain within interest cover and LTV covenants
- R113 million cash on hand, excluding cash available in debt facilities.

Distributable earnings

Total distributable income, for the six-month period ending 31 December 2020 amounted to R98,0 million[5] (31 December 2019: R112,4 million), representing a 12,8% decrease in distributable income.

Calculation of distributable earnings

	31 December 2020 R'000	31 December 2019 R'000	%
Revenue	**243 330**	266 785	(8,8)
Impairment losses recognised on tenant debtors	**(2 998)**	(3 500)	14,3
Property expenses	**(83 544)**	(98 262)	15,0
Other income	**409**	4 041	(89,9)
Administrative expenses	**(16 650)**	(18 402)	9,5
Depreciation and amortisation	**496**	–	–
Net finance cost	**(41 088)**	(40 135)	(2,4)
– Finance income	**33 427**	47 687	(29,9)
– Finance cost	**(74 515)**	(87 822)	15,2
Taxation	**(2 090)**	(540)	(287,0)
Distribution of realised foreign exchange gain	**198**	2 430	(91,9)
Total distributable earnings	**98 063**	112 417	(12,8)
Number of shares in issue at year-end net of treasury shares ('000)	**349 395**	349 395	–

Given the uncertainty around the economy and possible further disruption caused by the COVID-19 pandemic, the board has elected not to declare an interim dividend and will defer the dividend decision to year-end.

[4] *Including funds paid into the committed revolving credit facility.*
[5] *Before Texton implementing a payout ratio.*

COMMENTARY continued

Property income analysis

Net property income per region and sector[6]

	31 December 2020 Rm	31 December 2019 Rm	Variances %
Investment property income	**243,3**	266,8	(8,8)
SA	**202,7**	226,2	(10,3)
Office	**154,9**	171,2	(9,5)
Industrial	**17,6**	21,8	(19,3)
Retail	**30,2**	33,2	(9,0)
UK	**40,6**	40,6	0,0
Office	**2,1**	6,9	(59,6)
Industrial	**24,5**	20,9	17,2
Retail	**14,0**	12,8	9,4
Property expenses*	**(86,5)**	(101,8)	15,0
SA	**(85,0)**	(99,3)	14,4
Office	**(62,3)**	(72,2)	13,7
Industrial	**(10,2)**	(11,4)	10,5
Retail	**(12,5)**	(15,7)	20,4
UK	**(1,5)**	(2,5)	40,0
Office	**(0,3)**	(0,6)	50,3
Industrial	**(0,8)**	(1,2)	33,3
Retail	**(0,4)**	(0,7)	42,8
Net property income	**156,8**	165,0	(4,9)

Our **overall investment property income** decreased by 8,8% to R243,3 million, driven by the sale of buildings, negative rental reversions on renewal of leases to retain tenants, and increased vacancies in the SA portfolio. On a like-for-like basis[7], our investment property income decreased by 8,4%.

Our **SA investment property income** decreased by 10,3% due to the above reasons and a large single tenant vacancy in the industrial portfolio and the loss of Edcon Limited at 12 Lab Street. On a like-for-like basis[7], investment property income decreased by 9,8%. Further detail on the SA portfolio is provided in the SA net income analysis on page 9.

Overall UK property income was stable year-on-year due to increases in industrial and retail rentals. This was offset by a decrease in the office rental resulting from a rental discount provided to our Mowbray House tenant to regear our lease by five years to December 2026.

Property expenses decreased by 15,0% as a result of cost controls and the sale of assets. On a like-for-like basis[7], **property expenses** decreased by 10,0%. The combined effects of the above resulted in the overall basis **net property income** being 4,9% lower than last year and 6,8% on a like-for-like basis[7].

[6] *Excludes the straight-line rental adjustment.*
[7] *Excluding assets that were sold during the period under review.*
* *Includes impairment losses recognised on tenant debtors.*

Administration expenses decreased by 9,5% to R16,65 million due to tight cost controls implemented in the business and rationalisation of service providers used. **Finance income** decreased by 29,9% to R33,4 million largely due to the closing of a CCIRS. **Finance costs** decreased by 15,2% to R74,5 million largely due to the repayment of debt from the sale of properties, the closing out of the CCIRS and the out of money interest rate swaps rolling off during the period.

To de-risk the balance sheet from currency movements, Texton converted a £7,5 million loan secured against SA assets into Rand debt.

The average rate of the conversion to Rand was R21,07, which was 44 cents lower than the year-end exchange rate of R21,52. To reduce Texton's exposure to the CCIRS, Texton partially closed out £7,5 million of the CCIRS at a positive mark-to-market of R650 000.

A foreign exchange gain of R3,3 million was recognised due to the Rand's strengthening over the six-month period ending 31 December 2020. The closing exchange rate as at 31 December 2020 was R20,11 (30 June 2020: R21,52) and the average exchange rate for the same period was R19,96 (31 December 2019: R18,87).

Response to COVID-19

The COVID-19 pandemic elevated the fundamental focus of our business, being unrelenting tenant-focused to everything we do. We increased our focus on engaging with all of our tenants to work with them to sustain their businesses through the different stages of lockdown.

Texton's response to the COVID-19 was centred around four main areas:

Tenant relationships

- We prioritised our tenant engagement and relationship management over this period to retain and support tenants. Where possible, we offered tenants rental relief either in the form of a rental deferment or rental discounts
- We have strengthened our internal resources and tenant relationship management approach with a team to offer tenants more personalised engagement in the post-COVID-19 environment
- We are finding ways to make our office space more attractive to tenants, by meeting tenant needs, to serve as safe, collaborative and imaginative spaces.

Capital management

- We proactively engaged with all our funders for either early renewal of our facilities or extended debt terms. We have restructured all our long-term debt on improved payment terms and have renegotiated covenants to improve our liquidity risk to cope with the pandemic's impact on our business
- We have reduced our foreign exchange risk by partially closing our CCIRS by £7,5 million and converting all our foreign denominated debt into SA Rand ("ZAR") funding.

Employees and service providers

- Keeping our staff safe and productive and protecting jobs remains a key priority
- We provided equipment for all our staff to enable them to work safely from home, and increased communication with our employees to keep them safe and productive
- We engaged with our service providers to find pragmatic solutions to support our suppliers while maintaining strong levels of cost control in the business.

Liquidity management

- We have steadfastly maintained our focus on selling our non-core assets to improve our LTV and strengthen our balance sheet
- We have implemented stringent cost control measures across the portfolio, balancing the need to improve our property offering and saving costs at the properties.

COMMENTARY continued

Property portfolio

South Africa

Operating context

The SA economy has been battered by unrelenting economic headwinds. The hope of a quick economic recovery following the relaxation of the lockdown regulations to level one in August 2020, was dampened by the resurgence of COVID-19 in November 2020, coupled with an increased frequency of load shedding.

The property industry has been hard hit by the pandemic. We have seen a rise in vacancies stemming from a structural perspective, from tenant-specific failures or from tenants choosing to rationalise operations to protect their businesses in the current operating context. In December 2020, the South African Property Owners Association, for the second consecutive reporting period, recorded the highest national office vacancy rate (13,3%) since 2004, as the pandemic continues to filter through the real economy.

Commercial property letting is a lagging indicator of economic activity. As many tenants are still grappling with the effects of COVID-19 on the economy, we expect to see further pressure on commercial property for the remainder of 2021. Texton believes that the office sector still has a place to play in commercial property, however, the requirements for office space will change to flexible quality spaces with lower densities, upgraded digital infrastructure, good transport links and amenities.

Texton has limited exposure to retail and industrial properties in SA. Our retail assets and industrial assets have performed well over the period under review, with these assets trading with minimal vacancies and pleasing new letting performance.

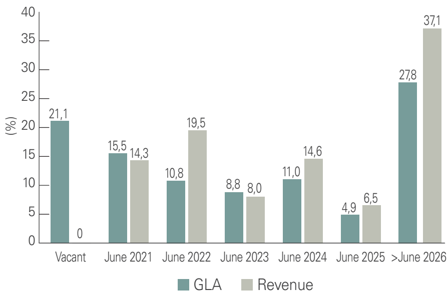
Performance

The SA portfolio sectoral profile

	31 December 2020		30 June 2020	
Sector	**GLA %**	**Value %**	**GLA %**	**Value %**
Office	**62,6**	**76,1**	62,4	76,7
Retail	**11,5**	**15,6**	11,4	14,7
Industrial	**25,9**	**8,3**	26,2	8,6
	100,0	**100,0**	100,0	100,0

Our focus remained firmly on retaining and supporting tenants, filling vacancies, cost control and disposals of non-core assets.

South African lease expiry profile



GLA reconciliation

	GLA m²
Balance at 30 June 2020	285 308
Disposals	(17 549)
Acquisitions/extension	–
Remeasurement	(4 003)
Balance at 31 December 2020	**263 756**

Core vacancy analysis

	31 December 2020 GLA m²	30 June 2020 GLA m²
Total vacancy	**55 680**	36 246
Properties held for sale	**(35 778)**	(17 606)
Core vacancy	**19 902**	18 640
Core GLA	**209 817**	226 403
Core vacancy %	**9,5**	8,2

Vacancy and letting

Total vacant GLA in SA amounted to 55 680m² (30 June 2020: 36 246m²). This amounts to a total vacancy of 21,1% as compared to 12,7% as at 30 June 2020. The major cause of this increase in vacancy is due to the vacancy caused by Edcon Limited vacating 12 Laub Street on 1 November 2020 due to the company entering business rescue. 12 Laub street has a GLA of 27 450m²; the building is considered non-core and is currently being marketed for sale.

If one excludes 12 Laub street from both the total GLA available in the portfolio and the vacancy, vacancy has improved from 14,06% as at 30 June 2020 to 11,95%. This is explained in the table below:

	31 December 2020			30 June 2020		
Sector	**GLA**	**Vacant m²**	**%**	**GLA**	**Vacant m²**	**%**
Total	**263 756**	**55 680**	**21,11**	285 308	36 246	12,70
Edcon	**(27 450)**	**(27 450)**	**–**	(27 450)	–	–
Excluding Edcon	**236 306**	**28 230**	**11,95**	257 858	36 246	14,06

COMMENTARY continued

Letting activity

In the six-month interim period, Texton concluded 37 (six months to 31 December 2019: 28) new leases with a combined GLA of 9 234m² (six months to 31 December 2019: 8 422m²).

The long-term lease with Transnet SOC Limited for Transnet Ports Authority ("TNPA") at 30 Wellington Road expired on 31 August 2020. Due to the delays caused by the pandemic we have been unable to formally agree an extension at the property and the lease is currently on a month-to-month basis. TNPA's long-term occupancy at this property is uncertain.

Texton's office portfolio is expected to come under pressure for the remainder of the calendar year. Texton has approximately 12 000m² of office GLA expiring in the next 12 months (excluding the TNPA lease) of which c.6 000m² will not be renewed. Where we can, Texton has proactively engaged with all tenants to try and regear the leases to encourage favourable renewals.

Occupancy and letting profile of the SA portfolio

Sector	Available GLA m²	Expiring GLA m²	New leases m²	Tenants retained m²	Retention %	Vacant GLA m²
Office	165 134	13 188	6 140	11 276	85,5	47 464
Industrial	68 222	3 647	1 803	3 157	86,6	7 545
Retail	30 400	1 765	1 291	1 546	87,6	671
Total	**263 756**	**18 600**	**9 234**	**15 979**	**85,9**	**55 680**

Texton's focused hands-on letting and renewal activity over the year has resulted in the WALE of the SA portfolio remaining constant at 3,20 years (30 June 2020: 3,20 years).

Rental collections

The opening of the SA economy in the first half of the financial year resulted in some improvement in our tenants' trading conditions. However, this was short-lived as the economy has again deteriorated and the second wave of the COVID-19 pandemic has dampened any hope of a quick recovery. Texton has remained agile in its management of tenants, finding pragmatic and innovative solutions to balance the needs of the tenant and the landlord. The management team engages directly with tenants on a daily basis, resulting in much improved tenant-landlord relationships.

Rental collections across the portfolio were 92,7% (97,8% excluding rental billed to Edcon Limited).

Rental collections per sector

	% of collections received						
Sector	July	August	September	October	November	December	Interim average
Office	87,8	88,6	92,9	90,8	96,6	93,3	91,5
Industrial	90,7	100,0	95,9	97,5	96,6	93,2	96,4
Retail	82,8	96,5	96,4	100,0	97,1	98,0	94,6
Total	**87,3**	**91,9**	**93,8**	**93,4**	**96,6**	**93,7**	**92,7**

Sector	% of collections received (excluding Edcon) July	August	September	October	November	December	Interim average
Office	96,5	99,1	101,9	96,5	101,5	96,4	98,6
Industrial	90,7	100,0	95,9	97,5	96,6	93,2	96,4
Retail	82,8	96,5	96,4	100,0	97,1	98,0	94,6
Total	**93,8**	**99,1**	**100,0**	**97,6**	**100,0**	**95,8**	**97,8**

Collections since 31 December 2020 have remained resilient at 97,0% and we are hopeful that we will be able to maintain this level for the remainder of the year.

Debt and rental relief

Texton did not experience any further significant tenant failures during the period under review, except for those mentioned above. Pleasingly, the majority of rental deferrals granted between April and June 2020 were collected during the period under review. Texton has invested a significant amount of time to understand our tenants and their businesses. Texton provided further rental deferrals to 23 tenants and gave rental discounts to 22 tenants, to the total cost of R4,1 million.

We continue to support our tenants' businesses and, where possible, we provide solution-oriented proposals to assist our tenants.

Net property income year-on-year

	Office Rm	Retail Rm	Industrial Rm	Total Rm
31 December 2020				
Investment property income	**154,9**	**30,2**	**17,6**	**202,7**
Property expenses	**(62,3)**	**(12,5)**	**(10,2)**	**(85,0)**
Net property income	**92,6**	**17,7**	**7,4**	**117,7**
Gross cost to income ratio	**40,2**	**41,4**	**58,0**	**41,9**
Net cost to income ratio	**25,9**	**21,1**	**40,6**	**26,4**
31 December 2019				
Investment property income	171,2	33,2	21,8	226,2
Property expenses	(72,2)	(15,7)	(11,4)	(99,3)
Net property income	99,0	17,5	10,4	126,9
Gross cost to income ratio	42,2	47,3	52,3	43,9
Net cost to income ratio	22,6	25,8	29,6	23,7
30 June 2020				
Investment property income	331,6	62,8	41,2	435,6
Property expenses	(156,4)	(31,5)	(19,3)	(207,2)
Net property income	175,2	31,3	21,9	228,4
Gross cost to income ratio	47,2	50,2	46,8	47,6
Net cost to income ratio	22,0	40,7	25,0	32,8

COMMENTARY continued

Office sector

Income has declined on a total basis by R16,3 million as compared to the same period last year:

- R3,5 million in income lost on properties sold during the period under review
- R4,4 million for negative rental reversions
- R8,4 million due to vacancies that have occurred in our portfolio as compared to the prior period.

Property expenses have declined on a total basis by R9,9 million as compared to the same period last year:

- R0,7 million relates to expenses not incurred from the properties sold during the period under review
- R9,2 million in expense savings achieved at our properties.

As noted above, we expect office vacancies to increase over the medium term placing additional pressure on the office portfolio earnings.

Retail sector

Income declined by R3 million, driven by rental reversions, rental discounts and incentives provided to new tenants to take space at our properties. Enhanced relationships with brokers have resulted in improved occupancy rates and should provide for better income profiles during the second half of the 2021 financial year. The decline in income has been offset by the R3,2 million decrease in the property expenses achieved through improved cost management practices at our properties.

Industrial sector

Income declined by R4,3 million due to an unbudgeted single tenant vacancy and the sale of one of our industrial properties. Property expenses decreased by R1,2 million, primarily resulting from the lower expenses incurred due to there being less properties in the industrial portfolio as a result of property sales. Texton has been able to fully let the area vacated by the tenant and this should result in a favourable second half of 2021 earnings.

United Kingdom

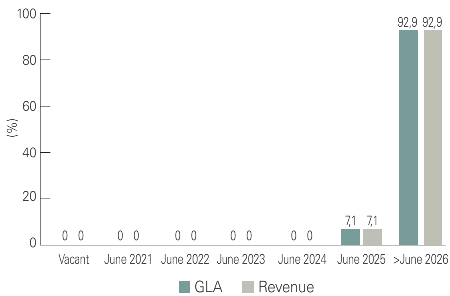
Overview and market background

The UK economy will take time to recover to its pre-pandemic level. In January 2021, the UK implemented its third national lockdown, which will delay the recovery and reverse some of the progress made in the second half of 2020. However, if the initial pace of the vaccine roll-out is maintained, restrictions are predicted to start easing by the second quarter of the 2021 calendar year and be almost completely lifted after June. In this event, the GDP should rebound in the second half of the 2021 calendar year.

Although the UK is well placed to recover from the economic legacy of COVID-19, the country's loose monetary policy and quantitative easing will continue to bear down on bond yields, offering limited if any real returns over the coming years. This will inevitably have a positive impact on the real estate sector as the global demand for yield will preserve strong investor appetite for core real estate assets and long-term income.

The post-pandemic real estate landscape will look different as the long-term impacts of accelerated structural change and behavioural shifts will affect the markets. However, only time will tell what the final effect will be on the "return to the mall" or the "return to the office".

United Kingdom lease expiry profile



Wholly-owned portfolio

Positive steps were made in consolidating the UK portfolio during the second half of 2020. Despite the challenging retail market, the sale and transfer of the Poundland retail asset in Nottingham was concluded in January 2021 to a student housing developer. The successful outcome was the result of the asset management work done by Texton in designing an 81 bedroom studio development above the retail.

The pandemic has strengthened investor demand for industrial logistics property and a decision was made to capitalise on the strong sellers' market and respond to approaches received on the DHL property at Tickhill, Doncaster. The sale of the property was agreed to for £22,65 million and was conditionally exchanged in January 2021 subject to shareholder approval which is expected to take place on 25 March 2021.

Rental performance has remained extremely resilient during the pandemic, despite government restrictions which severely restrict the ability of landlords to enforce payment terms. Rent collection has remained at 97% with only two tenants not paying rent in full – the majority of which is from Peacocks at our now sold Nottingham retail property, which has entered into administration.

The strong performance of the portfolio is due to the strength of the tenant covenants and the continued relevance of the tenant businesses to consumers and other businesses during the pandemic. Coveris, a UK packaging company, has continued to supply food suppliers with packaging; B&Q, a DIY and home improvement retailing company, has benefited from locked-down consumers spending using their time at home to carry out home improvements, and as consumer spend is diverted away from socialising; Dunelm have continued to sell household goods.

At our Parc Pensarn retail property in Carmarthen, Wales, a 5,9% increase in rent was agreed with Dominos to settle their market rent review. Dominos have continued their pizza delivery service since the end of the first lockdown, remaining popular and receiving some trade diverted away from other restaurants.

Net property income year-on-year

On an overall basis, net property income in the UK has increased by 2,6%. This is as result of improved costs control measures put in place as a result of the COVID-19 pandemic which we have been able to sustainably implement across the portfolio.

Office sector

Income has declined by R4,8 million as a result of the lease incentives provided to our office tenant at Mowbray House, Nottingham, in order to extended their lease by an additional five years. The discounted rental period provided to the tenant ends on 1 December 2021 and then rental will increase from c. £350 000 *per annum* to c. £868 000 *per annum* for the remainder of the lease.

Industrial sector

Income has increased by R3,6 million due to rental uplifts in our industrial portfolio, primarily as a result of a rental uplift achieved at our building in Peterlee occupied by Caterpillar.

Retail sector

Income has increased by R1,2 million due to rental uplifts in our retail portfolio, primarily as a result of a rental uplift achieved at our building in Carmarthen occupied by Domino's Pizza.

Broad Street Mall

Broad Street Mall is a mixed-use consumer-facing asset based in Reading. The centre has continued to trade throughout the pandemic, serving some essential tenants which include a National Health Services centre, Iceland food store, Poundland, Wilko, Savers, a Polish supermarket and Holland & Barret. Some of the restaurant operators such as Taco Bell have continued to offer take-away and delivery services.

The closure of non-essential retail during the three UK lockdowns to date has put severe pressure on retailers revenues and will continue to affect their performance in 2021. It has been necessary to work collaboratively with some of our tenants and provide concessions and restructured leases in some cases.

Performance relative to other shopping centre assets has remained robust. In the last quarter of 2020, 81,4% of rent and 76,1% of service charges were collected. This compares to an average shopping centre rent and service charge collection of 77,5% and 78,5% respectively for the same period, reported by Remit Consulting.

Footfall data varied according to the severity of the prevailing COVID-19 restrictions. December 2020 footfall was 410 000, a reduction of 54% from December 2019 levels but an increase of 50% against November 2020 when the second national lockdown was in force. Tenant turnovers have also been extremely variable, impacted by the type and necessity of their merchandise and the extent of disruption to trade.

To date, Broad Street Mall has been less impacted by pandemic-induced tenant insolvency events than many other UK shopping centres. Crucially, Broad Street Mall has not suffered the loss of a department store anchor tenant. The demise of House of Fraser and Debenhams

COMMENTARY continued

has had major adverse consequences to retailers in many UK shopping centres.

Texton is confident that Broad Street Mall is well positioned to bounce back when restrictions are eased, and human interactions resume in a normalised way. This opinion is based on the combined strength of Reading as a town, the community focus of the shopping centre and the excellent repurposing potential and momentum of the asset enhancement initiatives currently underway.

Capital management

A robust balance sheet is key to Texton being able to survive the unprecedented headwinds we currently face. As such, balance sheet management is a key objective, with meticulous focus on reducing the LTV and de-risking the balance sheet from currency and market risk. As a result of these initiatives, Texton managed to reduce its group LTV to 42,9% from 46,2%.

Sale of non-core properties

At 30 June 2020, Texton identified 16 properties valued at R601,2 million for disposal, of which eight (valued at R154,6 million) were unconditionally contracted for sale with transfer anticipated to be completed by 31 December 2020. However, due to delays in obtaining municipal clearance and the limited operating times of the deeds office due to COVID-19, only six of these properties, at a value of R138,9 million, transferred before 31 December. The remaining two properties that were unconditionally contracted for sale transferred in January 2021.

Texton had 13 properties classified as held for sale on 31 December 2020. Three of these properties are located in the UK and the remaining 11 are located in SA. The table below provides further details on the sales of non-core assets.

Sales of non-core assets

Sector	Location of property SA	Location of property UK	Number of properties	R'000
Balance as at 30 June 2020	14	2	16	601 293
Sold	(6)	–	(6)	(138 533)
Reclassified as investment property[8]	(1)	–	(1)	(37 700)
Properties added to the held for sale list	3	1	4	522 116
Change in exchange rates and fair values				(21 699)
Balance as at 31 December 2020	**10**	**3**	**13**	**925 477**

Eight of the 13 properties have been contracted for, of which seven were unconditional at 31 December 2020. Three properties transferred in January totalling R121,8 million. The largest property held for sale at 31 December 2020 is DHL Bawtry Warehouse which is subject to shareholder approval, which will take place via a vote at a meeting on 25 March 2021.

[8] *The property was reclassified to investment property due to significant changes in the lease profile at the property as a result of promising new lets achieved in a very short period.*

Group borrowings

Texton has agreed terms to renew debt expiring with Investec Bank Limited on 31 May 2021 early, extending the debt facility by a further 30 months on the same terms as the current debt. We have also been in discussions with Standard Bank to extend the expiry date of our revolving credit facility that expires on 30 June 2021, and we expect that this debt should be extended on favourable terms. We have worked very closely with our SA and UK funders to build trust and a strong business relationship, which will see us emerge from the first year of the pandemic with supportive debt funders. We believe the level of transparency we have provided the banks has given them comfort to continue lending and supporting our business initiatives.

Texton converted a £7,5 million loan secured against SA assets to Rand denominated debt. The conversion of this debt removes the currency mismatch from Texton's balance sheet and simplifies the funding structures that Texton has in place.

In line with our stated objectives in June 2020, we continued to pay down the debt on our balance sheet. In the period under review Texton has repaid R190,0 million of debt to SA lenders, of which R110,0 million is a permanent reduction in debt.

Total debt at 31 December 2020 amounted to R1,84 billion (30 June 2020: R2,0 billion).

Debt profile

	31 December 2020			30 June 2020		
Sector	ZAR facilities Rm	GBP facilities £m	Total facilities Rm	ZAR facilities Rm	GBP facilities £m	Total facilities Rm
Total debt facilities	1 184,3	32,7	1 841,3	1 132,9	40,2	1 997,4
Total debt drawn	1 102,8	32,7	1 759,8	1 132,9	40,2	1 997,4
Net debt[9]	1 052,9	30,5	1 646,6	1 051,3	37,5	1 857,8
Subject to fixed rates	695,0	29,8	1 294,7	995,0	29,8	1 636,7
% hedged on net debt	66,0	97,7	78,6	94,6	79,4	88,1
Effective interest rate	8,6	2,9	6,5	9,4	2,9	6,6
Weighted average expiry	2,4	4,5	3,1	2,2	4,2	3,1
Interest cover ratio			3,0			2,8

[9] *Net debt is defined as debt less cash and cash equivalents.*

COMMENTARY continued

Loan and swap profile (31 December 2020)

	2021	2022	2023	2024	2025	Total
SA						
Loan expiry profile (Rm)	–	67,5	702,3	333,0	–	1 102,8
Hedging profile (Rm)	495,0	100,0	100,0	–	–	695,0
UK						
Loan expiry profile (GBP'000)	–	–	–	–	32 667	32 667
Hedging profile (GBP'000)	–	19 619	–	10 200	–	29 819
Group						
Loan expiry profile (Rm)	–	67,5	702,3	333,0	657,0	1 759,8
Hedging profile (Rm)	495,0	494,6	100,0	205,1	–	1 294,7

Texton maintains a significant hedged position with 78,6% (30 June 2020: 88,1%) of its interest rate exposure hedged through interest rate swaps. While this mitigates interest rate volatility, Texton is unable to currently take advantage of low interest rates in the current environment due to a large portion of the debt being fixed at rates significantly higher than the current floating interest rate.

However, to position ourselves to benefit from the low interest rate environment going forward, Texton closed out a R100 million interest rate swap that expired in 2023 and the majority of our interest rate hedges expire in the second half of 2021. These actions will allow Texton to benefit from the lower interest rates for the financial year 2022.

As at 31 December 2020, Texton has R96,0 million of property unencumbered.

Cross-currency interest rate swaps

At 31 December 2020, Texton only had one CCIRS in place:

	GBP nominal £m	ZAR nominal Rm	GBP/ZAR initial rate	GBP average rate over the term %	ZAR fixed rate over the term %	Maturity	Mark-to-market R'000
Investec	23,3	453,9	19,48	3,18%	11,0%	2 Sept 2021	264

Texton partially closed out £7,5 million of the CCIRS during the period under review at a positive mark-to-market payment of R650 000. At the current CCIRS level, the CCIRS is now at 37,4% of our property assets (as per the table below) which we believe is in line with peers and is sustainable for the company.

Cross-currency exposure

	31 December 2020 £'000	31 December 2019 £'000
Total property assets	**62 355**	58 445
Cash on hand	**2 744**	2 705
HSBC debt	**(32 667)**	(32 667)
Broad Street Mall net equity	**16 401**	19 074
Net equity	**48 833**	47 557
Current CCIRS	**23 300**	30 800
% of property assets	**37,4**	52,7
% of net equity	**47,7**	64,8
Effective hedge (CCIRS + bank debt as % of total assets)	**68,7**	79,1

The mark-to-market of the CCIRS as at 31 December 2020 was R264 000 (asset) and no margining was required to be posted with Investec at year-end. Texton is in discussions with Investec to find the most appropriate method to manage the close-out risk associated with the expiry of the CCIRS in September 2021.

COMMENTARY continued

Investment property

Texton's policy is to have one-third of its properties externally valued by an independent valuer each year and the remaining properties valued internally by the board using the same methodology applied by the external valuers.

Top five properties by value in SA

	Property	Value R'000	Sector	GLA m^2	Vacancy m^2	% of total value	Valuation R/m^2
1	Foretrust	340 000	Office	26 780	584	14,7	12 696
2	Greenstone Office Park	260 200	Office	19 436	3 031	11,2	13 388
3	Bryanston Gate Office Park	188 700	Office	16 651	4 599	8,2	11 333
4	Golddurb	134 800	Retail	11 183	–	5,9	12 054
5	Hermanstad	130 000	Office	44 329	2 466	5,6	2 933
Top five total		1 053 700		118 379	10 680	45,5	8 901
Total SA properties		**2 314 603**		**263 756**	**55 680**	**100,0**	**8 698**

Sectoral split – SA

		Commercial	Industrial	Retail	Total
Number of properties		32	4	3	39
Value of properties	R'000	1 750 456	195 100	369 047	2 314 603
Value of properties	%	75,6	8,4	15,9	100,0
Property revenue excluding lease smoothing	R'000	154 933	17 585	30 198	202 716
Revenue	%	76,4	8,7	14,9	100,0
GLA	m^2	165 134	68 222	30 400	263 756
GLA	%	62,6	25,9	11,5	100,0
Vacant area	m^2	47 464	7 545	671	55 680
Sector vacancy	%	28,7	11,1	2,2	21,1
Vacancy on total GLA	%	14,6	2,3	0,2	17,2

Top five properties by value in UK

	Property	Value R'000	Sector	GLA m²	Vacancy m²	% of total value	Valuation R/m²
1	DHL – Common Lane	455 018	Industrial	25 294	–	36,1	17 989
2	Mowbray House	176 376	Office	5 360	–	14,0	32 906
3	Units 1 and 2 Pease Road	163 274	Industrial	10 117	–	13,0	16 139
4	Cambourne Retail Park	156 265	Retail	4 466	–	12,4	34 990
5	Coveris	146 380	Industrial	7 912	–	11,6	18 501
Top five total		1 097 313		53 149	–	87,1	20 646
Total UK properties		**1 260 415**		**60 626**	**–**	**100,0**	**20 790**

Sectoral split – UK

		Commercial	Industrial	Retail	Total
Number of properties		1	4	3	8
Value of properties	R'000	176 376	800 872	283 167	1 260 415
Value of properties	%	14,0	63,5	22,5	100,0
Property revenue excluding lease smoothing	R'000	2 051	24 595	13 967	40 613
Revenue	%	5,1	60,6	34,4	100,0
GLA	m²	5 360	47 283	7 983	60 626
GLA	%	8,8	78,0	13,2	100,0
Vacant area	m²	–	–	–	–
Sector vacancy	%	–	–	–	–
Vacancy on total GLA	%	–	–	–	–

COMMENTARY continued

Net asset value per share

	31 December 2020	31 December 2019	30 June 2020
Reported NAV	**2 072 522**	2 112 198	1 972 740
Adjustments:			
Dividends to be declared	**–**	(60 500)	–
Fair value of certain derivative financial instruments	**35 283**	14 304	55 911
Deferred tax	**22 324**	7 303	12 886
Total equity	**2 130 129**	2 073 305	2 041 537
Shares outstanding			
Number of shares in issue at period end (net of treasury shares) ’000	**349 395**	349 395	349 395
Total shares ’000	**349 395**	349 395	349 395
NAV per share (cents)	**609,66**	593,40	584,30

NAV per share has increased to R6,10 cents per share from R5,84 as at 30 June 2020. This represents an increase of 25,36 cents per share or an increase of 4,3%.

Currency

The closing exchange rate on 31 December 2020 was R20,11: £1 (30 June 2020: R21,52: £1), and the average exchange rate for the period was R19,96: £1 (six months ending 31 December 2019: R18,87: £1).

Stated capital and shares repurchased

The group holds 10 428 348 treasury shares (30 June 2020: 10 428 348) via the Texton Property Fund Limited Share Incentive Scheme Trust. Treasury shares held by Discus House Proprietary Limited, a subsidiary of Texton, amount to 16 243 865 shares (30 June 2020: 16 243 865), bringing the total treasury shares held to 26 672 213 (30 June 2020: 26 672 213).

There have been no share buy backs during the period. Texton intends to repurchase shares in terms of the approved shareholder authority it received at its annual general meeting as a means of returning capital to shareholders.

SA REIT Association Best Practice Recommendations (“BPR”)

The SA REIT Association has released the second edition BPR, which deal with best practice reporting for SA REITs. The new BPR is applicable for financial year-ends starting from 1 January 2020 and will accordingly be applicable to Texton from the financial year ending 30 June 2021. Texton has applied the recommendations included in the second edition BPR in these results which are included in Annexure A.

Changes to the board

There have been no changes to the board during this period which has brought stability to the company. Pienaar Welleman accepted the role as permanent chief executive officer of Texton on 20 November 2020.

Prospects and outlook

The devastating effects of the COVID-19 pandemic continue to be felt across the globe and it has had a negative impact on the global property market. In both the geographies where Texton trades, we have seen increased measures put in place by the governments to try and contain the second wave of the pandemic to protect their citizens and prevent their health systems from becoming overwhelmed.

The SA economy was decimated over the 2020 calendar year, due mainly to the measures put in place to fight COVID-19, the credit downgrades in March and November and the constrained electricity supply. The South African Reserve Bank provided an accommodative monetary policy for the country to soften the impact of the COVID-19 restrictions. However, SA will need more than just accommodative monetary policy to pivot the economy. Until such time as SA is able to roll-out the COVID-19 vaccine nationwide and fix its ailing power supplier, it is expected that the recessionary environment will endure for the remainder of 2021 and possibly into early 2022.

The UK has been hampered by three lockdowns, the most recent of which was announced on 4 January 2021, and its exit from the European Union, the terms of which were officially agreed on 24 December 2020. The effects of these lockdowns and Brexit are predicted to cause the constrained economic environment to persist for the remainder of 2021. There is hope, however, that once the vaccine roll-out has been completed, economic activity will start to steadily increase.

During this difficult time, Texton maintained its strategic focus of hands-on asset management, early tenant engagement and improved leasing initiatives.

Our balance sheet has been significantly reinforced with the sale of non-core assets, the refinancing of our debt on improved terms and the reduction in our CCIRS exposure. The business remains cash generative, with healthy interest cover ratios and the ability to meet all debt servicing requirements. Texton has made significant strides in reducing our LTV over the past 12 months and we have plans to reduce this further over time. We are very thankful for the tremendous support we have received from our funders and we look forward to working with them in the future.

Until the vaccine programme has been rolled out, more likely than not, we will experience further COVID-19 waves and this creates further economic uncertainty.

Texton earnings are expected to come under further pressure in the short to medium term. Our income is expected to be effected by:

- Our office portfolio has approximately 22 000m^2 of GLA expiring in the next 12 months. We are finding it increasingly difficult to renew leases in the current environment.
- We are seeing an increase in tenants looking to cancel or renegotiate their leases which could affect income going forward
- The CCIRS, which provides significant net interest income unwinds in September 2021.

The loss of income will be countered by:

- Expense savings which we have been able to achieve both at the properties and at an administration level
- Our cost of funding is expected to decrease as our interest rate hedges roll off.

The board has decided not to pay an interim dividend for the first half of the 2021 financial year. Rather, we believe it is prudent to retain cash and assess the evolution of the pandemic before deciding on a final dividend. The final payout ratio will be assessed at the stage of the payment of our final dividend.

CONDENSED CONSOLIDATED
STATEMENT OF FINANCIAL POSITION

as at 31 December 2020

	Unaudited 31 December 2020 R'000	Unaudited 31 December 2019 R'000	Audited 30 June 2020 R'000
Assets			
Non-current assets	**2 895 521**	3 612 538	3 416 932
Investment property	**2 649 541**	3 339 999	3 149 057
Property and equipment	**3 612**	2 701	3 236
Tenant installation	**6 825**	9 038	6 089
Investment in joint venture	**226 289**	216 693	252 272
Other non-current assets	**8 990**	8 967	6 278
Other financial assets	**264**	35 140	–
Current assets	**168 779**	229 056	189 864
Trade and other receivables	**52 162**	50 411	44 222
Income tax receivable	**3 419**	5 350	3 451
Cash and cash equivalents	**113 198**	173 295	142 191
Investment property held for sale	**925 477**	326 800	601 293
Total assets	**3 989 777**	4 168 394	4 208 089
Equity and liabilities			
Equity	**2 072 522**	2 112 198	1 972 740
Stated capital	**2 842 473**	2 842 473	2 842 473
Accumulated loss	**(622 454)**	(534 954)	(758 095)
Foreign currency translation reserve	**(147 497)**	(195 321)	(111 638)
Non-current liabilities	**1 741 774**	962 178	1 642 388
Other financial liabilities	**1 716 238**	951 584	1 626 382
Deferred tax	**22 324**	7 303	12 754
Lease liability	**3 212**	3 291	3 252
Current liabilities	**175 481**	1 094 018	592 961
Short-term portion of other financial liabilities	**72 959**	992 536	456 440
Trade and other payables	**95 257**	95 894	107 923
Income tax payable	**7 265**	5 588	28 598
Total equity and liabilities	**3 989 777**	4 168 394	4 208 089

CONDENSED CONSOLIDATED
STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 31 December 2020

	Unaudited 31 December 2020 R'000	Unaudited 31 December 2019 R'000	Audited 30 June 2020 R'000
Property revenue	**237 775**	273 409	519 185
Investment property income	**243 330**	266 785	521 905
Straight line rental adjustment	**(5 555)**	6 624	(2 720)
Impairment losses recognised on tenant debtors	**(2 998)**	(3 500)	(27 595)
Direct property costs	**(83 544)**	(98 262)	(183 780)
Net property income	**151 233**	171 647	307 810
Other income	**409**	4 041	4 715
Administrative expenses	**(16 650)**	(18 402)	(38 022)
Restructuring of loans and borrowings	**(6 123)**	–	–
(Loss)/profit from joint venture	**(36 909)**	6 820	34 711
Foreign exchange gains/(losses)	**3 322**	(7 123)	(90 732)
Operating profit	**95 282**	156 983	218 482
Finance income	**33 427**	47 687	85 780
Finance costs	**(74 515)**	(87 822)	(168 891)
Fair value adjustments	**93 394**	(23 668)	(196 849)
Profit before taxation	**147 588**	93 180	(61 478)
Taxation expense	**(11 947)**	(540)	(69 023)
Profit for the period	**135 641**	92 640	(130 501)
Other comprehensive income/(loss):			
Items that may be classified to profit or loss			
Exchange differences on translating foreign operations	**(35 859)**	18 558	102 241
Other comprehensive income for the period, net of taxation	**(35 859)**	18 558	102 241
Total comprehensive income/(loss) for the period	**99 782**	111 198	(28 260)
Profit/(loss) attributable to:			
Shareholders of the company	**99 782**	111 198	(28 260)
Earnings per share			
Basic and diluted earnings/(loss) per share (cents)	**38,82**	26,51	(37,25)
Headline earnings/(loss) per share (cents)	**11,03**	26,51	(23,35)

CONDENSED CONSOLIDATED
STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 December 2020

	Stated capital R'000	Foreign currency translation reserve R'000	Accumulated loss R'000	Total R'000
Balance at 30 June 2019	2 842 473	(213 879)	(504 642)	2 123 952
Total comprehensive income for the period	–	18 558	92 640	111 198
Profit for the period	–	–	92 640	92 640
Exchange differences on translation of foreign operations	–	18 558	–	18 558
Total transactions with shareholders recorded directly in equity	–	–	(122 952)	(122 952)
Dividends paid	–	–	(122 952)	(122 952)
Balance at 31 December 2019	2 842 473	(195 321)	(534 954)	2 112 198
Total comprehensive income for the period	–	83 683	(223 141)	(139 458)
Loss for the period	–	–	(223 141)	(223 141)
Exchange differences on translation of foreign operations	–	83 683	–	83 683
Total transactions with shareholders recorded directly in equity	–	–	–	–
Dividends paid	–	–	–	–
Balance at 30 June 2020	**2 842 473**	**(111 638)**	**(758 095)**	**1 972 740**
Total comprehensive income for the period	**–**	**(35 859)**	**135 641**	**99 782**
Profit for the period	**–**	**–**	**135 641**	**135 641**
Exchange differences on translation of foreign operations	**–**	**(35 859)**	**–**	**(35 859)**
Transactions with shareholders recognised directly in equity	**–**	**–**	**–**	**–**
Dividends paid	**–**	**–**	**–**	**–**
Balance at 31 December 2020	**2 842 473**	**(147 497)**	**(622 454)**	**2 072 522**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 31 December 2020

	Unaudited Six months ended 31 December 2020 R'000	Unaudited Six months ended 31 December 2019 R'000	Audited 12 months ended 30 June 2020 R'000
Cash flows from operating activities			
Cash generated from operations	**117 157**	161 729	262 879
Interest received	**37 409**	39 738	85 609
Interest paid	**(79 605)**	(81 264)	(162 636)
Commission paid	**(4 434)**	(3 662)	(3 614)
Dividends paid	**–**	(122 952)	(122 952)
Taxation paid	**(22 501)**	(8 644)	(47 477)
Net cash inflow/(outflow) from operating activities	**48 027**	(15 055)	11 809
Cash flows from investing activities			
Additions to investment properties	**(579)**	(1 723)	(1 706)
Additions to plant and equipment	**(876)**	(1 219)	(2 166)
Proceeds on disposal of investment properties held for sale	**131 245**	199 957	208 928
Proceeds on disposal of investment property	**1 198**	–	–
Additional investment in joint venture	**(10 926)**	(3 779)	(11 469)
Tenant installation incurred	**(2 169)**	(357)	(3 265)
Loans repaid	**306**	355	–
Net cash inflow from investing activities	**118 199**	193 234	190 322
Cash flows from financing activities			
Proceeds from other financial liabilities	**–**	–	57 845
Repayment of other financial liabilities	**(190 674)**	(340 760)	(457 288)
Lease liability payment	**(236)**	(236)	(472)
Net cash outflow from financing activities	**(190 910)**	(340 996)	(399 915)
Net cash outflow for the period	**(24 685)**	(162 817)	(197 784)
Effects of movements in exchange rate changes on cash held	**(4 308)**	(1 129)	3 382
Cash and cash equivalents at the beginning of the period	**142 191**	323 985	323 985
Release of restricted cash	**–**	13 256	12 608
Cash and cash equivalents at the end of the period	**113 198**	173 295	142 191

NOTES TO THE CONDENSED UNAUDITED CONSOLIDATED INTERIM FINANCIAL RESULTS

for the six months ended 31 December 2020

1. Basis of preparation

The condensed unaudited consolidated interim financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements, the requirements of the Companies Act of South Africa, the measurement and recognition requirements of International Financial Reporting Standards ("IFRS"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34: *Interim Financial Reporting*. These do not include all of the information required in annual financial statements in accordance with IFRS and should be read in conjunction with the consolidated financial statements for the year ended 30 June 2020.

The accounting policies applied in the preparation of the condensed unaudited consolidated interim financial statements are in terms of IFRS and are consistent with those applied in the previous audited consolidated annual financial statements. None of the new standards, interpretations and amendments effective as of 1 July 2020 have had a material impact on the condensed unaudited consolidated interim financial statements.

These condensed unaudited consolidated interim financial statements have been prepared on a going concern basis. All monetary information is presented in the functional currency of the company, being South African Rand, and is rounded to the nearest thousand (R'000).

The directors take full responsibility for the preparation of these condensed unaudited consolidated interim financial statements. These condensed unaudited consolidated financial statement were prepared under the supervision of the chief financial officer, Mr P Hack CA(SA).

2. Significant judgement

When preparing these condensed unaudited consolidated interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results. The judgements, estimates and assumptions applied in the condensed unaudited consolidated interim financial statements, including the key sources of estimation uncertainty are based on historical experience and various other factors that are believed to be reasonable under the circumstances.

3. Investment property

	Unaudited Six months 31 December 2020 R'000	Unaudited Six months 31 December 2019 R'000	Audited 12 months 30 June 2020 R'000
Reconciliation of movement in investment property for the year			
Balance at the beginning of the period	**3 149 057**	3 291 916	3 291 916
Additions	**579**	1 723	1 706
Straight-line rental adjustment	**(5 555)**	6 624	(2 720)
Fair value adjustments	**53 345**	–	(24 443)
Transfer to investment property reclassified as held for sale	**(520 518)**	–	(330 601)
Transfer from investment property reclassified as held for sale	**37 300**	–	–
Disposals	**(1 198)**	–	(468)
Foreign currency translation reserve	**(63 469)**	39 736	213 667
Balance at the end of the period	**2 649 541**	3 339 999	3 149 057

In terms of IAS 40: *Investment Property* and IFRS 13: *Fair Value Measurement*, investment properties are measured at fair value and are categorised as level three investments. In determining the fair value, the traditional discounted cash flow method of valuation has been used. At year-end, the determination of property valuations were performed by both internal and external valuers to determine the fair value. In the preparation of the condensed unaudited interim financial statements, prepared in accordance with IAS 34, the valuations were prepared internally and reviewed by the directors.

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

Investment property and property held for sale amounting to R3,5 billion (30 June 2020: R3,6 billion) has been pledged as security for our long term loans. Texton has R96,0 million (30 June 2020: R98,3 million) of unencumbered property.

The outbreak of COVID-19, declared by the World Health Organisation as a global pandemic on 11 March 2020, has impacted global financial markets.

Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Given the unknown future impact that COVID-19 might have on valuations, management has taken the approach to use conservative assumptions around market rental, market rental growth rates, the capitalisation rate, the exit capitalisation rate and discount rates.

NOTES TO THE CONDENSED UNAUDITED CONSOLIDATED INTERIM FINANCIAL RESULTS continued

3. Investment property continued

SA valuations

Valuation technique

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

Significant unobservable inputs

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

	Unaudited 31 December 2020 %	Unaudited 31 December 2019 %	Audited 30 June 2020 %
Discount rates used are included below:			
Sector			
Office	**14,3 – 16,5**	14,5 – 17,0	14,8 – 16,8
Industrial	**15,5 – 15,8**	14,5 – 16,8	15,8
Retail	**14,8 – 15,3**	15,3 – 15,5	14,8 – 16,0
Exit capitalisation rates for year five are included below:			
Sector			
Office	**9,8 – 11,5**	9,3 – 12,0	9,8 – 12,5
Industrial	**10,5 – 11,0**	10,0 – 11,0	11,0 – 11,3
Retail	**10,0 – 10,5**	10,0 – 10,5	10,0 – 10,8
The future revenue growth for the five-year projection is included below:			
Sector			
Office	**2,0 – 6,0**	4,0 – 6,0	2,0 – 5,5
Industrial	**4,0**	5,0 – 5,5	5,0 – 5,5
Retail	**4,0 – 5,0**	5,5	4,0 – 5,0

Sensitivity analysis to significant unobservable inputs

	Unaudited 31 December 2020 %	Unaudited 31 December 2019 %	Audited 30 June 2020 %
Sensitivity analysis to exit capitalisation rates			
Exit capitalisation rate increases by 1%	**(109 000)**	(126 362)	(112 853)
Exit capitalisation rate decreases by 1%	**129 400**	152 189	131 098
Sensitivity analysis to discount rates			
Discount rate increases by 1%	**(69 300)**	(83 271)	(83 458)
Discount rate decreases by 1%	**73 100**	86 553	80 845
Sensitivity analysis to market rentals			
Market rental decreases by 1%	**(16 600)**	(23 804)	(19 407)
Market rental increases by 1%	**16 400**	23 780	19 648

UK valuations

Valuation technique

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

Significant unobservable inputs

	Unaudited 31 December 2020 %	Unaudited 31 December 2019 %	Audited 30 June 2020 %
Equivalent yields used are included below:			
Sector			
Office	**6,0 – 8,6**	6,3 – 8,0	6,0 – 8,6
Industrial	**6,5 – 7,0**	5,8 – 7,4	6,4 – 7,0
Retail	**6,5 – 8,8**	6,9 – 9,3	6,5 – 8,8
Annual market rentals per square foot used are included below, rounded to the nearest R100:			
Sector			
Office	**85,9 – 174,0**	73,2 – 157,8	91,3 – 185,5
Industrial	**26,7 – 105,4**	27,0 – 231,2	28,5 – 262,6
Retail	**26,1 – 96,7**	32,0 – 90,9	27,8 – 103,1

NOTES TO THE CONDENSED UNAUDITED CONSOLIDATED INTERIM FINANCIAL RESULTS continued

3. Investment property continued

Sensitivity analysis to significant unobservable inputs

Fair value adjustments	Unaudited 31 December 2020 R'000	Unaudited 31 December 2019 R'000	Audited 30 June 2020 R'000
Sensitivity analysis to equivalent yields			
Exit capitalisation rate increases by 1%	**(127 707)**	(131 677)	(155 154)
Exit capitalisation rate decreases by 1%	**95 529**	178 934	209 167
Sensitivity analysis to market rentals			
Market rental decreases by 1%	**(4 022)**	(5 717)	(6 241)
Market rental increases by 1%	**4 022**	2 507	6 241

4. Investment property held for sale

	Unaudited 31 December 2020 R'000	Unaudited 31 December 2019 R'000	Audited 30 June 2020 R'000
Balance at the beginning of the period	**601 293**	529 523	529 523
Transferred from investment property	**520 518**	–	328 772
Transfer to investment property	**(37 300)**	–	–
Disposals	**(138 553)**	(199 957)	(213 223)
Changes in fair value	**(2 500)**	–	(45 608)
Foreign currency translation reserve	**(17 981)**	(2 766)	1 829
Balance at the end of the period	**925 477**	326 800	601 293

Texton reclassified one property in SA, Alrode Industrial Park, back to investment property as the property trading performance significantly improved over the period.

5. Investment in joint venture

	Unaudited 31 December 2020 R'000	Unaudited 31 December 2019 R'000	Audited 30 June 2020 R'000
Balance at the beginning of the year	**252 272**	206 094	206 094
Current period (loss)/profit from joint venture	**(36 909)**	6 820	34 711
Additional investment in joint venture	**10 926**	3 779	11 467
Balance at the end of the year	**226 289**	216 693	252 272

The group has a 50% (30 June 2020: 50%) interest in Broad Street Mall and Texton exercises joint control. This interest is accounted for using the equity method. The company's principal place of business is in the UK and is incorporated in Luxembourg.

The shopping centre market in the UK has been significantly disrupted by COVID-19 and the resultant lockdowns that the government has put in place to control the pandemic. The ability to accurately value a shopping centre has been significantly diminished due to: (1) banks not providing new debt on the purchase of shopping centres; (2) there being no comparable transactions in the market for the shopping centres; (3) the uncertain future regarding retail centres post COVID-19; and (4) the rise and strong adoption of online retail among consumers. In light of the above there is significantly uncertainty relating to the value of Broad Street Mall.

6. Fair value adjustments

	Unaudited 31 December 2020 R'000	Unaudited 31 December 2019 R'000	Audited 30 June 2020 R'000
Interest rate swap and foreign exchange contract unrealised	**17 624**	64	(37 305)
Cross currency interest rate swap	**32 426**	(22 348)	(89 652)
Investment property classified as held for sale	**(2 713)**	–	(44 079)
Investment property	**53 345**	–	(25 973)
Share appreciation rights	**–**	1 329	1 689
Loss on disposal of property	**(7 288)**	(2 713)	(1 529)
Fair value gain/(loss) for the period under review	**93 394**	(23 668)	(196 849)

NOTES TO THE CONDENSED UNAUDITED CONSOLIDATED INTERIM FINANCIAL RESULTS continued

7. Other financial liabilities

	Unaudited 31 December 2020 R'000	Unaudited 31 December 2019 R'000	Audited 30 June 2020 R'000
Balance at the beginning of the period	**2 082 822**	2 255 776	2 255 776
– Non-current	**1 626 382**	535 301	535 301
– Current	**456 440**	1 720 475	1 720 475
Advances during the period	**–**	–	57 845
Repayments during the period	**(190 674)**	(340 760)	(457 288)
Foreign currency translation reserve movements	**(44 742)**	8 543	112 737
Unrealised foreign exchange movements	**(3 422)**	7 008	38 900
Fair value on interest rate swaps	**(17 622)**	(64)	38 634
Structuring fees amortised during the period	**(885)**	1 818	–
Interest accrual	**(3 852)**	11 799	4 054
Transfer from other financial assets	**(32 428)**	–	(57 488)
Fair value on CCIRS	**–**	–	89 652
Closing balance at the end of the period	**1 789 197**	1 944 120	2 082 822
– Non-current	**1 716 238**	951 584	1 626 382
– Current	**72 959**	992 536	456 440

Significant movements during the period under review included the following:

- Repayment of R190 million into facilities of which R110 million is a permanent reduction in debt
- Agreed refinance terms for debt expiring in May 2021 with Investec at the same pricing on a 30 month tenor
- Converted all GBP debt secured on SA assets as a net foreign exchange gain of R3 million.

Bank covenants

Loan covenants applicable to the Standard Bank facilities:

- LTV ratio for the group may not exceed 50%
- Group interest cover of a minimum of 2,0 times cover
- LTV ratio for the Standard Bank facility may not exceed 60%
- Interest cover ratio for the facility of a minimum of 2,0 times cover
- All covenants applicable to Standard Bank are currently met by Texton.

Loan covenants applicable to the Investec Bank facilities:

- LTV ratio for the group may not exceed 50%
- Group interest cover of a minimum of 2,0 times cover
- LTV ratio for the Investec Bank facility may not exceed 55%
- All covenants applicable to Investec Bank are currently met by Texton.

Loan covenants applicable to the HSBC plc facilities:

- LTV ratio for the HSBC facilities may not exceed 65%
- Historical interest cover ratio for the facility must be a minimum of 2,0 times cover
- Projected interest cover ratio for the facility must be a minimum of 1,75 times cover
- All covenants applicable to HSBC plc are currently met by Texton.

8. Financial instruments

	Fair value through profit or loss		
	Unaudited 31 December 2020 R'000	**Unaudited 31 December 2019 R'000**	**Audited 30 June 2020 R'000**
Financial assets			
Other financial assets	**264**	35 140	–
Financial assets	**264**	35 140	–
Financial liabilities			
Other financial liabilities	**35 283**	14 781	85 467
Financial liabilities	**35 283**	14 781	85 467

	Amortised cost		
	Unaudited 31 December 2020 R'000	**Unaudited 31 December 2019 R'000**	**Audited 30 June 2020 R'000**
Financial assets			
Other non-current assets	**–**	309	–
Trade and other receivables	**59 906**	40 723	66 014
Cash	**113 198**	173 295	142 191
Financial assets	**173 104**	214 327	208 205
Financial liabilities			
Other financial liabilities	**1 753 914**	1 929 340	2 029 521
Trade and other payables	**25 391**	54 663	76 640
Financial liabilities	**1 779 305**	1 984 003	2 106 161

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.

In terms of IFRS 9, the group's currency and interest rate derivatives are measured at fair value through profit or loss and are categorised as level 2 investments.

There were no transfers between levels 1, 2 and 3 during the year. The valuation methods applied are consistent with those applied in preparing the consolidated annual financial statements for the year ended 30 June 2020.

NOTES TO THE CONDENSED UNAUDITED CONSOLIDATED INTERIM FINANCIAL RESULTS continued

9. Fair value hierarchy

The company's financial assets and liabilities and investment properties are classified according to the following three-tier fair value hierarchy:

Level 1: Quoted prices (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category also includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The table below analyses financial assets and liabilities carried at fair value and investment properties where the fair value approximates the carrying amount:

	Carrying value			
	Level 1 R'000	**Level 2 R'000**	**Level 3 R'000**	**Total R'000**
31 December 2020				
Assets				
Investment properties	**–**	**–**	**2 649 541**	**2 649 541**
Investment properties held for sale	**–**	**–**	**925 477**	**925 477**
CCIRS	**–**	**264**	**–**	**264**
Liabilities				
Interest rate swap	**–**	**(35 283)**	**–**	**(35 283)**
31 December 2019				
Assets				
Investment properties	–	–	3 339 999	3 339 999
Investment properties held for sale	–	–	326 800	326 800
CCIRS	–	35 140	–	35 140
Liabilities				
Interest rate swap	–	(14 781)	–	(14 781)
30 June 2020				
Assets				
Investment properties	–	–	3 149 057	3 149 057
Investment properties held for sale	–	–	601 293	601 293
Liabilities				
Interest rate swap	–	(53 303)	–	(53 303)
CCIRS	–	(32 164)	–	(32 164)

The following table reflects the valuation techniques used in measuring level 2 fair values:

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable
Derivative assets and liabilities – Interest rate swaps	Fair valued monthly by Investec, Standard Bank and HSBC using mark-to-market mid-market values. This involves, *inter alia,* discounting the future cash flows using the yield curves at the reporting date and the credit risk inherent in the contract.	Not applicable	Not applicable
Derivative assets and liabilities: Cross-currency interest rate swap contracts	Fair valued monthly by Investec using mark-to-market mid-market values. This involves, *inter alia,* discounting the future cash flows using the basis swap curves of the respective currencies at the date when the cash flows will take place.	Not applicable	Not applicable

10. Events after the reporting date

Transfer of investment property

On 29 January 2021, Rynlal, held at a value of R33,0 million and 370 Rivonia Road, held at a value of R8,9 million, successfully transferred to their new owners, additionally as announced on SENS on 18 January 2021, our Nottingham retail asset let to Poundland was successfully transferred to its new owners on 15 January 2021 for £3,7 million. All assets were classified as held for sale at 31 December 2020.

Significant lease on a month to month

The long-term lease with Transnet SOC Limited for Transnet Ports Authority ("TNPA") at 30 Wellington Road expired on 31 August 2020. Due to the delays caused by the pandemic we have been unable to formally agree an extension at the property and the lease is currently let on a month to month basis. TNPA's long-term occupancy at this property is uncertain.

Payment of dividend

Texton has elected not to declare an interim dividend and will evaluate the economic outlook at year end.

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

11. Dividends paid

	Unaudited 31 December 2020 R'000	Unaudited 31 December 2019 R'000	Audited 30 June 2020 R'000
Dividends paid	–	122 952	122 952

Dividends are paid from income reserves.

NOTES TO THE CONDENSED UNAUDITED CONSOLIDATED INTERIM FINANCIAL RESULTS continued

12. Segment reporting

The group has two reportable segments, based on the geographic split, which are the group's strategic business segments. These two geographic segments are then split between office, retail and industrial sectors within these regions. Segments are located in South Africa and the United Kingdom.

During the year ended 31 December 2020, there have been no changes from prior periods in the measurement methods used to determine operating segments and reported segment profit or loss.

	South Africa		
	Unaudited 31 December 2020 R'000	**Unaudited 31 December 2019 R'000**	**Audited 30 June 2020 R'000**
Segmental revenue – rental revenue			
Office	**145 045**	174 918	326 144
Retail	**33 426**	34 529	61 112
Industrial	**17 272**	21 790	42 528
	195 743	231 237	429 784
Profit before tax			
Office	**29 200**	105 285	126 116
Retail	**20 861**	17 742	24 386
Industrial	**14 042**	11 886	11 670
Corporate	**1 210**	(61 214)	(315 816)
	65 313	73 699	(153 644)
Total assets			
Office	**1 824 743**	2 053 117	1 976 190
Retail	**384 189**	383 883	380 165
Industrial	**209 831**	242 461	230 833
Corporate	**14 887**	136 384	38 828
	2 433 650	2 815 845	2 626 016
Total liabilities			
Office	**36 145**	44 344	44 366
Retail	**16 659**	14 109	(1 851)
Industrial	**9 201**	11 823	8 881
Corporate	**1 150 072**	1 370 938	1 421 363
	1 212 077	1 441 214	1 472 759

	United Kingdom		
	Unaudited 31 December 2020 R'000	**Unaudited 31 December 2019 R'000**	**Audited 30 June 2020 R'000**
Segmental revenue – rental revenue			
Office	**2 051**	6 520	13 971
Retail	**13 967**	12 775	29 365
Industrial	**26 014**	22 877	46 065
	42 032	42 172	89 401
Profit before tax			
Office	**(362)**	(352)	4 315
Retail	**(27 488)**	14 426	169 718
Industrial	**94 701**	14 765	12 798
Corporate	**94 884**	(9 358)	(94 665)
	82 275	19 481	92 166
Total assets			
Office	**185 304**	178 909	198 612
Retail	**525 181**	482 285	607 511
Industrial	**842 384**	687 904	772 059
Corporate	**3 258**	3 451	3 891
	1 556 127	1 352 549	1 582 073
Total liabilities			
Office	**114 947**	100 851	131 634
Retail	**122 825**	144 598	164 516
Industrial	**463 638**	369 120	465 431
Corporate	**3 768**	413	1 009
	705 178	614 982	762 590

NOTES TO THE CONDENSED UNAUDITED CONSOLIDATED INTERIM FINANCIAL RESULTS continued

12. Segment reporting continued

	Total		
	Unaudited 31 December 2020 R'000	Unaudited 31 December 2019 R'000	Audited 30 June 2020 R'000
Segmental revenue – rental revenue			
Office	**147 096**	181 438	340 115
Retail	**47 393**	47 304	90 477
Industrial	**43 286**	44 667	88 593
	237 775	273 409	519 185
Profit before tax			
Office	**28 838**	104 933	130 431
Retail	**(6 627)**	32 168	194 104
Industrial	**108 926**	26 651	24 468
Corporate	**16 451**	(70 572)	(410 481)
	147 588	93 180	(61 478)
Total assets			
Office	**2 010 047**	2 232 026	2 174 802
Retail	**909 370**	866 168	987 676
Industrial	**1 052 215**	930 365	1 003 092
Corporate	**18 145**	139 835	42 519
	3 989 777	4 168 394	4 208 089
Total liabilities			
Office	**151 092**	145 195	176 000
Retail	**139 484**	158 707	162 665
Industrial	**472 839**	380 943	474 312
Corporate	**1 153 840**	1 371 351	1 422 372
	1 917 255	2 056 196	2 235 349

13. Headline earnings

	Unaudited 31 December 2020 R'000	Unaudited 31 December 2019 R'000	Audited 30 June 2020 R'000
Headline earnings attributable to shareholders			
Profit/(loss) attributable to shareholders	**135 641**	92 640	(130 501)
Gross revaluation of investment property	**(53 345)**	–	24 443
Gross revaluation of investment property held for sale	**2 500**	–	45 608
Gross revaluation of investment property recognised in equity accounted joint venture	**(38 984)**	–	(22 665)
Loss on sale of property held for sale	**(7 288)**	–	1 529
Headline earnings attributable to shareholders	**38 524**	92 640	(81 586)
Weighted average number of shares in issue	**349 395**	349 395	349 395
Total shares issued	**376 067**	376 067	376 067
Less: treasury shares	**(26 672)**	(26 672)	(26 672)
Profit/(loss) per share			
Basic and diluted earnings/(loss) per share (cents)	**38,82**	26,51	(37,35)
Headline and diluted headline earnings/(loss) per share	**11,03**	26,51	(23,35)

14. Summary of financial performance

	Unaudited 31 December 2020	Unaudited 31 December 2019	Audited 30 June 2020
Shares in issue and used for dividend calculation ('000)	**349 395**	349 395	349 395
Weighted average number of shares in issue ('000)	**349 395**	349 395	349 395
Net asset value per share (cents)*	**609,66**	593,40	584,30
Basic and diluted profit/(loss) per share (cents)	**38,82**	26,51	(37,35)
Headline and diluted earnings/(loss) per share (cents)	**11,03**	26,51	(23,35)
Share price (cents)	**144**	275	140
Loan-to-value ratio* (%)	**42,9**	44,9	46,2
Cost to income ratios			
Gross property cost to income ratio (%)	**36,4**	37,2	40,5
Net property cost to income ratio (%)	**20,3**	20,9	27,1
Gross total cost to income ratio* (%)	**42,2**	43,8	47,6
Net total cost to income ratio (%)	**28,8**	27,9	35,9

** Calculated in line with BPR and the prior year has been recalculated on the same basis.*

ANNEXURE A
SA REIT BEST PRACTICE DISCLOSURES (NON-IFRS MEASURES)

The second edition of the SA REIT Association Best Practice Recommendations was issued in November 2019, outlining the need to provide consistent disclosure of relevant ratios in the SA REIT sector. This will ensure information and definitions are clearly presented, enhancing comparability and consistency across the sector. The comparative figures have been computed and disclosed on the same basis.

SA REIT funds from operations ("SA REIT FFO") per share

	Unaudited Six months 31 December 2020 R'000	Unaudited Six months 31 December 2019 R'000
Profit or loss per income statement	**135 641**	92 640
Accounting/specific adjustments	**(41 738)**	7 949
Fair value adjustments to:		
– Investment property	**(50 632)**	–
– Debt and equity instruments held at fair value through profit or loss	**(50 049)**	20 955
Depreciation and amortisation of intangible assets	**500**	438
Asset impairments (excluding goodwill) and reversals of impairment	**36 909**	(6 820)
Gains or losses on the modification of financial instruments	**6 122**	–
Deferred tax movement recognised in profit or loss	**9 857**	–
Straight-lining operating lease adjustment	**5 555**	(6 624)
Adjustments arising from investing activities	**7 288**	2 275
Gains or losses on disposal of:		
– Investment property and property	**7 288**	2 275
Foreign exchange and hedging items	**(3 128)**	9 553
Adjustments to amounts recognised in profit or loss relating to derivative financial instruments	**(3 322)**	9 553
Foreign exchange gains or losses relating to capital items – realised and unrealised	**194**	–
SA REIT FFO	**98 063**	112 417
Number of shares outstanding at the end of the period (net of treasury shares)	**349 395**	349 395
SA REIT FFO cents per share	**28,07**	32,17
Distributable income per share before payout ratio: (cents per share)	**28,07**	32,17

SA REIT net asset value ("SA REIT NAV")

	Unaudited Six months 31 December 2020 R'000	Unaudited Six months 31 December 2019 R'000
Reported NAV	**2 072 522**	2 112 198
Adjustments:		
Dividend to be declared	**–**	(60 500)
Fair value of certain derivative financial instruments	**35 283**	14 304
Deferred tax	**22 324**	7 303
SA REIT NAV	**2 130 129**	2 073 305
Shares outstanding		
Number of shares in issue at period-end (net of treasury shares)	**349 395**	349 395
Dilutive number of shares in issue	**349 395**	349 395
SA REIT NAV per share (Rand)	**6,10**	5,93

ANNEXURE A

SA REIT BEST PRACTICE DISCLOSURES (NON-IFRS MEASURES) continued

SA REIT cost to income ratio

	Unaudited Six months 31 December 2020 R'000	Unaudited Six months 31 December 2019 R'000
Expenses		
Operating expenses per IFRS income statement (includes municipal expenses)	**86 542**	101 762
Administrative expenses per IFRS income statement	**16 650**	18 402
Exclude:		
Depreciation expense in relation to property, plant and equipment of an administrative nature and amortisation expense in respect of intangible assets	**(500)**	(438)
Operating costs	**102 692**	119 726
Rental income		
Contractual rental income per IFRS income statement (excluding straight-lining)	**195 214**	210 417
Utility and operating recoveries per IFRS income statement	**48 048**	56 487
Gross rental income	**243 262**	266 904
SA REIT cost to income ratio (%)	**42,2**	44,9

SA REIT administrative cost-to-income ratio

	Unaudited Six months 31 December 2020 R'000	Unaudited Six months 31 December 2019 R'000
Expenses		
Administrative expenses as per IFRS income statement	**16 650**	18 402
Other identified administrative expenses	**(500)**	(438)
Depreciation	**(500)**	(438)
Administrative costs	**16 150**	17 964
Rental income		
Contractual rental income per IFRS income statement (excluding straight-lining)	**195 214**	210 417
Utility and operating recoveries per IFRS income statement	**48 048**	56 487
Gross rental income	**243 262**	266 904
SA REIT administrative cost to income ratio (%)	**6,6**	6,7

SA REIT GLA vacancy rate

	Unaudited Six months 31 December 2020 m²	Unaudited Six months 31 December 2019 m²
Gross lettable area of vacant space	55 680	29 717
Gross lettable area of total property portfolio	324 389	348 317
SA REIT GLA vacancy rate (%)	17,16	8,53

* *Excludes GLA at Broad Street Mall.*

Cost of debt

	Unaudited Six months 31 December 2020 %	Unaudited Six months 31 December 2019 %
Variable interest-rate borrowings		
Floating reference rate plus weighted average margin	4,50	6,70
Pre-adjusted weighted average cost of debt:	4,50	6,70
Adjustments:		
Impact of interest rate derivatives	2,50	0,33
Impact of cross-currency interest rate swaps	(1,20)	(1,26)
Amortised transaction costs imputed into the effective interest rate	–	–
All-in weighted average cost of debt	5,80	5,77

ANNEXURE A

SA REIT BEST PRACTICE DISCLOSURES (NON-IFRS MEASURES) continued

SA REIT loan-to-value ("SA REIT LTV")

	Unaudited Six months 31 December 2020 R'000	Unaudited Six months 31 December 2019 R'000
Gross debt	**1 789 197**	1 944 120
Less:		
Cash and cash equivalents	**(113 198)**	(173 295)
Add/less:		
Derivative financial instruments	**(35 283)**	(14 304)
Net debt	**1 640 716**	1 756 521
Total assets – per statement of financial position	**3 989 777**	4 168 394
Less:		
Cash and cash equivalents	**(113 198)**	(173 295)
Derivative financial assets	**(264)**	(35 140)
Trade and other receivables	**(52 162)**	(50 411)
Carrying amount of property-related assets	**3 824 153**	3 909 548
SA REIT LTV (%)	**42,90**	44,93

CORPORATE INFORMATION

Texton Property Fund Limited

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

Physical and registered address

Block D, Vunani Office Park
151 Katherine Street
Sandton, 2031
PO Box 653129, Benmore 2010

Board of directors

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

**Executive directors*

Company secretary

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

Auditor

BDO South Africa Inc.
Wanderers Office Park
52 Corlett Drive
Illovo 2196

Sponsor

Investec Bank Limited
100 Grayston Drive
Sandton

Transfer secretary

Computershare Investor Services Proprietary Limited
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