

Tower Property Fund Limited
(formerly Reftin 1004 Proprietary Limited)
(Incorporated in the Republic of South Africa)
(Registration number 2012/066457/06)
JSE share code: TWR
ISIN: ZAE000179040
(Approved as a REIT by the JSE)
("Tower" or "the fund" or "the group")

ABRIDGED RESULTS
for the year ended
31 May 2014

- Maiden annual distribution of 74.6 cents exceeds pre-listing forecast
- Distributable earnings of R96.8 million
- Portfolio value increased by 25% to R2.06 billion*
- Portfolio vacancies reduced by 19%**
- Net asset value increased from R8.75 to R9.07*
- Loan to value reduced to 37%
- Fixed debt increased to 72%
- Successful greening programme at Cape Quarter

PROFILE

Tower Property Fund became South Africa's first new real estate investment trust ("REIT") to list when the group made its debut on the JSE Limited in July 2013. The fund owns a diversified portfolio of 31 commercial and retail properties valued at R2.06 billion, located mainly in the Western Cape (51% by value) and Gauteng (42% by value). Tower is committed to a 'greening' strategy to increase the competitiveness and values of buildings in its portfolio.

* As compared to the PLS

** As compared to Interim Period ending 30 Nov 2013

- Basis of preparation

The abridged financial results are prepared in accordance with the framework concepts, the measurement and recognition requirements of IFRS and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee or its successor and the requirements of the Companies Act of South Africa and the JSE Listings Requirements. The abridged financial results contain, as a minimum, the information required by IAS 34: Interim Financial Reporting, and the accounting policies adopted and methods of computation are in accordance with International Financial Reporting Standards ("IFRS") and are consistent with those adopted in the Pre Listing Statement ("PLS") and applied where applicable in the financial statements for the year ended 31 May 2013.

The following standard has been applied for the first time as it became effective during the current period:

- IFRS13 - Fair value measurement

The adoption of the above standard has not had a significant impact on the abridged financial results. These financial results were prepared under the supervision of Mr F Jenkins CA (SA), in his capacity as group Chief Financial Officer.

The abridged financial statements do not contain all the information and disclosures required in the annual financial statements. The directors take full responsibility for the preparation of the abridged report and that the financial information has been correctly extracted from the underlying financial statements. The abridged financial statements have been extracted from the audited financial statements upon which Mazars Inc. has issued an unqualified report, but is not itself audited. In the basis of preparation paragraph, certain inconsequential changes to disclosures as reported in the provisional results released on SENS on the 24th July 2014 are reported. The audited financial statements and the unqualified report are available for inspection at the registered office of the company.

The abridged financial statements contain certain changes to the statements of comprehensive income and cash flows and the calculation of headline earnings and distributable earnings reconciliation from the provisional results previously published. (All figures are in R'000, unless stated otherwise). The line item of other income amounting to R480 was reclassified to be included in net operating profit in the statement of comprehensive income and the segmental analysis, and consequently removed from interest received in the statements of comprehensive income and cash flows. The statement of cash flows in these abridged financial statements has additional disclosures including the line item of Dividends paid of R39 919 now reflected as part of net cash utilised in financing activities. The change in fair value of the interest rate swaps of R1 442 has been eliminated from the line item acquisition of investment property and proceeds from secured financial liabilities in the statement of cash flows and also removed from the calculation of headline earnings in the calculation of headline earnings and distributable earnings reconciliation. This has resulted in a reduction from previously reported basic and diluted headline earnings per share - weighted average shares in issue (cents) figure of 94.4 cents down by 1.3 cents to 93.1 cents. The distribution as detailed in the provisional results released on SENS on the 24th of July 2014 remained unchanged.

Fair value of financial instruments recognised in the statement of financial position.

The group measures fair values using the fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1: Quoted prices (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category also includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The valuation of interest rate swaps uses only observable market data and requires little management judgement and estimation. The availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with the determination of fair values. The interest rate swaps are valued using the mark-to-market valuations, excluding transactions costs. Interest rate swaps are classified as level 2 financial instruments and the fair value of interest rate swap assets at 31 May 2014 is equal to R1 441 787.22

Current swaps entered into:

End Amount	Effective rate	Notional
20 July 2015	6.04%	R344 million
2 April 2017	7.41%	R126 million
6 April 2017	7.20%	R130 million

Notice to shareholders

Shareholders are advised that Tower's integrated report and the audited annual financial statements for the financial year ended 31 May 2014 is available with immediate effect, on the company's website, www.towerpropertyfund.co.za and incorporates the non-material changes detailed herein from the provisional annual results for the year ended 31 May 2014, released on SENS on 24 July 2014.

The summarised audited financial information for the financial year ended 31 May 2014, together with the notice of annual general meeting was dispatched to shareholders today, 29 August 2014.

The company's annual general meeting will be held at 10h00 on Thursday, 2 October 2014 at the Belmont Conference Centre, Belmont Road, Rondebosch. The full notice of the meeting is available in the integrated report on the company's website www.towerpropertyfund.co.za.

The last day to trade in order to be eligible to participate in and vote at the annual general meeting is Thursday, 18 September 2014 and the record date for voting purposes is Friday, 26 September 2014.

- Strategy

Tower aims to generate competitive investment performance by adding value through property asset management and the cost-effective greening of properties in the portfolio. This results in lower operational expenditure and increased tenant retention. Tower aims to continue to expand its portfolio through management's network of contacts throughout South Africa.

The investment strategy is to expand the portfolio by targeting mainly medium-sized (R30 million to R200 million) properties and to ensure a diversified sectoral and geographic portfolio.

- Financial and operating performance

Tower performed strongly in its first year of operation, generating revenue of R191.3 million and operating profit of R161.7 million for the 12 months ended 31 May 2014 ("the period").

Distributable earnings totalled R96.8 million. The directors declared a final distribution of 41.6 cents per share, bringing the total distribution for the period to 74.6 cents. This exceeds the fund's pre-listing forecast of 71.7 cents. During the six month period following the initial interim period 23 760 993 new shares were issued by the company. 6 150 930 shares were issued to vendors for the purchase of new properties and 17 610 063 shares were issued for cash.

The market capitalisation of the group since listing has grown by 18% to R1.164 billion at 31 May 2014. The results represent an annualised historic income return to investors of 9.6%, outperforming the listed property sector.

The fund's net asset value grew by 4% (as it appeared in the PLS) in the period to R9.07 per share.

A strategy of active asset management since the launch of the fund has resulted in expense reduction through contractor management and greening initiatives.

Cape Quarter, the flagship property in the portfolio located in Green Point, Cape Town, is now effectively fully let

following an innovative marketing campaign which has been successful in driving foot traffic and attracting national and international tenants. Parking revenue has shown a significant increase. Tenants have generally reported increased turnovers and Tower has engaged architects to address concerns with the centre's navigability as well as seeking to create new lettable areas within the property.

Management has focused intensely on attracting long-term tenants to reduce vacancies across the portfolio and has been successful in letting over 24 000m², including 11 000m² of new space and 13 000m² of renewable space.

The level of vacancies in the portfolio reduced to 9.3% at year end (from 11.5% as at 30 November 2013) and had reduced to 8.2% by the date of this report.

- Property acquisitions

In the past six months the fund acquired properties totaling R329 million, contributing to the increase in the value of the portfolio to R2.06 billion.

These properties are the De Ville Shopping Centre (Durbanville) for R227 million, Clifton Place office building (Durban) for R81 million and 19 Section Street, an industrial property in Paarden Eiland, Cape Town, for R22 million.

- Portfolio greening

The lighting retrofit programme completed at the Cape Quarter has resulted in an estimated annual saving of R1 million in operating costs. This programme is expected to reduce kilowatt hours and carbon emissions by 69%.

The focus of the fund's greening strategy is on improving energy efficiency which serves to reduce operating costs and lower carbon footprints to make properties more valuable and marketable to prospective tenants. The reduced demand for energy also mitigates against inevitable electricity tariff hikes. Management views the "greening" of its properties as a proactive rather than defensive strategy.

- Borrowings

Tower has loan facilities with Investec Bank, Standard Bank and Nedbank totaling R843 million at year end. Interest rates are hedged on 72% of the total loan facility and the weighted average rate of interest is 8.3% for the portfolio. Based on investment properties valued at R2.06 billion, the loan to value ("LTV") ratio of the fund was 37.3% at year end. The fund has a targeted LTV of 40%.

- Prospects

Management will continue to enhance the portfolio and investor returns through careful cost control of its existing portfolio and the continued roll out of greening initiatives. Well located, quality properties will be sourced to strengthen the portfolio and reduce risk to particular properties.

Over R1 billion of new acquisitions are being negotiated and management is currently undertaking extensive due diligence on these properties.

Refurbishment opportunities within the portfolio will be examined as will the pipeline of development opportunities which are becoming apparent.

TOWER PROPERTY FUND LIMITED

STATEMENT OF COMPREHENSIVE INCOME	Group
Figures in R'000	2014
Revenue	
Contractual rental income	174 168
Straight line rental income accrual	17 102
	191 270
Net property operating expenses	(19 785)
Net property income	171 485
Administration expenses	(10 273)
Other income	480
Net operating profit	161 692
Fair value adjustments on investment properties	(11 740)
Fair value adjustment on interest rate swaps	(1 442)
Profit from operations	148 510
Finance income	3 066
Finance costs	(53 456)
Capital raising expenses	(11 487)
Profit before taxation	86 633
Taxation	-
Total comprehensive income for the year	86 633
Basic and fully diluted earnings per share - weighted average shares in issue (cents)	82.0

STATEMENT OF FINANCIAL POSITION	Group
Figures in R'000	2014
Assets	
Investment property	2 043 745
Straight-line lease accrual	17 102
	2 060 847

Current assets	
Trade and other receivables	36 882
Cash and cash equivalents	38 171
	75 053
Total assets	2 135 900
Equity and liabilities	
Equity	
Issued capital	1 251 034
Retained earnings	(10 204)
	1 240 830
Non-current liabilities	
Borrowings	769 518
	769 518
Current liabilities	
Trade and other payables	68 635
Shareholders for dividend	56 917
	125 552
Total equity and liabilities	2 135 900

STATEMENT OF CASH FLOWS	Group
Figures in R'000	2014
Profit for the year	86 633
Adjustments for:	
Finance costs	53 188
Investment income	(3 066)
Change in fair value of investment property	11 740
Change in fair value of interest rate derivative	1 442
Straight-line lease accrual	(17 102)
Operating cash flow before working capital changes	132 835
Working capital changes	
Increase in trade and other receivables	(36 873)
Increase in trade and other payables	68 635
Cash generated by operating activities	164 597
Investment income	3 066
Finance costs	(53 456)
Net cash from operating activities	114 207
Cash flows from investing activities	
Investment property acquired	(1 228 082)
Net cash generated by investing activities	(1 228 082)
Cash flows from financing activities	
Capital issued	440 031
Capital raising costs	(16 142)
Loans raised	768 076
Dividends paid	(39 919)
Net cash utilised in financing activities	1 152 046
Increase in cash and cash equivalents	38 171
Cash and cash equivalents at beginning of the year	-
Cash and cash equivalents at end of the year	38 171

"Total distribution of 74.6 cents exceeds pre-listing forecast"

Statement of changes in equity

	Stated Capital R'000	Retained Income R'000	Total R'000
Balance at 1 March 2012			0
Issue of 845 000 shares	8		8
Loss for the period ended 31 May 2013		(1)	(1)
Balance at 31 May 2013	8	(1)	7
Issue of 42 031 330 shares effective 1 June 2013	420 313		420 313
Issue of 36 348 892 shares effective 19 July 2013	318 661		318 661
Issue of 15 613 052 shares effective 15 August 2013	156 131		156 131
Issue of 14 770 615 shares effective 27 August 2013	147 706		147 706
Issue of 2 333 589 shares effective 1 September 2013	23 336		23 336
Issue of 1 149 425 shares effective 31 October 2013	10 000		10 000
Issue of 1 303 960 shares effective 24 December 2013	10 771		10 771
Issue of 17 610 063 shares effective 10 March 2014	140 000		140 000
Issue of 4 846 970 shares effective 15 April 2014	40 250		40 250
Capital raising expenses	(16 142)		(16 142)
Total comprehensive income for the period		86 634	86 634
Dividend paid and proposed		(96 837)	(96 837)

Balance at 31 May 2013	1 251 034	(10 204)	1 240 830
Reconciliation of earnings: R' 000			
Total comprehensive income for the period			86 633
Adjusted for:			
Change in fair value of investment properties			11 740
Headline earnings			98 373
Adjusted for:			
Straight line rental income accrual			(17 102)
Change in fair value of interest rate swaps			1 442
Distributable profit			82 713
Adjusted for:			
Capital raising expenses			11 487
Amortisation of debt raising fees			2 636
Distributable earnings			96 836
Basic and diluted earnings per share - weighted average shares in issue (cents)			82,0
Basic and diluted headline earnings per share - weighted average shares in issue (cents)			93,1
Distributable earnings per share - weighted average shares in issue (cents)			91,6
Dividend per share (cents)			74,6
Weighted average number of shares in issue			105 709 677
Number of shares in issue at period end			136 852 996

Segmental analysis

	Retail R'000	Office R'000	Industrial R'000	Total R'000
Property assets	557 355	1 478 492	25 000	2 060 847
Segment liabilities	245 705	512 023	11 790	769 518
Revenue (excluding straight line lease adjustments)	47 302	125 856	1 010	174 168
Net operating costs	(5 480)	(14 229)	(76)	(19 785)
Segment profit	41 822	111 627	934	154 383
Straight line lease adjustment				17 102
Non property related expenses				(10 273)
Other income				480
Net operating profit				161 692

Notes:

- No comparative figures are disclosed as this is the company's first period of operation. The company was dormant in the prior year
- Related party transactions included:
 - Asset management fees paid to Tower Asset Managers Proprietary Limited (R'000) 8 353
 - Property management fees paid to Spire Property Management Proprietary Limited (R'000) 6 400

Registered address 2nd Floor, Spire House, Tannery Park, 23 Belmont Road, Rondebosch, 7700 (PO Box 155, Rondebosch, 7701)

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Company secretary Ovland Management Services Proprietary Limited

Auditors Mazars Inc

Sponsor Java Capital

Transfer secretaries Link Market Services South Africa Proprietary Limited

Directors A Dalling* (Chairman), M Edwards (Chief Executive Officer), J Bester*, K Craddock, M Evans*, F Jenkins (Chief Financial Officer), B Kerswill, A Magwentshu*, N Milne*, R Naidoo*
* non-executive directors

www.towerpropertyfund.co.za

29 August 2014
Java Capital