

Financial performance

Tower performed well in the six months ended 30 November 2014 ("the period") in an increasingly difficult trading environment. Revenue increased by 38% to R118 million and operating profit by 37% to R96 million.

Distributable earnings for the period totalled R63 million and the directors are pleased to declare a distribution of 42 cents per share, an increase of 27% over the previous interim distribution. This is in line with the trading statement published on SENS on 12 January 2015. The distribution for the prior year was for a five month period.

The Fund produced a total return, comprising income plus capital, of 19% for the 2014 calendar year. The net asset value grew by 7% in the period to R9.71 per share.

Fred Jenkins was replaced as CFO by Joanne Mabin with effect from 1 January 2015. The board is grateful to Fred for his service and wishes him well in his retirement.

Operating performance

During the period two properties totalling R122 million were acquired. These are the final phase of the Constantia View Office Park in Quellerina (the Fund already owned the other properties in this development) and the Medscheme building in Florida North, Gauteng, which is part of the Medscheme head office.

Active asset management of the portfolio has continued to reduce operating costs. Greening initiatives undertaken include lighting retrofits at Cape Quarter and the De Ville Shopping Centre, and a large solar installation at Cape Quarter which is predicted to yield a 17% return.

Portfolio vacancies have increased to 10% (January 2015) (July 2014: 8.2%) as two large tenants in Clearview Motor Village absconded from their lease obligations. Legal action is currently being taken to recover the debt. Positive letting activity has been achieved throughout the portfolio with particular successes being Cape Quarter, 31 Beacon Road and Constantia View Office Park. Excluding the Clearview Motor Village, vacancies in the portfolio reduced to below 8%. Vacancies are expected to drop below 8% (including Clearview Motor Village) once the announced new acquisitions are transferred.

The management team is focused on reducing vacancies and encouraging renewals as tenants face the impact of a tightening economy. The Fund's greening strategy will be crucial in this competitive environment to reduce occupancy costs to ensure the retention of tenants.

Selected properties held since listing will be sold in due course as the Fund focuses increasingly on well-located properties with value add potential to ensure maximum returns for shareholders.

Significant development opportunity has been identified through the group's development arm at Cape Quarter. A feasibility study is being undertaken on building new residential apartments at the mixed use property which should preserve and enhance growth for the medium-term.

Portfolio greening

The successful lighting retrofit programme recently conducted at Cape Quarter was

extended to the De Ville Shopping Centre. Similar initiatives will be undertaken at other properties including the recently refurbished 382 Jan Smuts Avenue in Craighall Park.

An exciting solar project has been completed at Cape Quarter. Most of the roof space is being utilised to generate energy. This is a strategically important programme given the country's electricity supply constraints and the expected tariff increases from Eskom.

Savings at Cape Quarter have exceeded predictions with R850 000 being saved per annum as a result of lighting changes. The electricity demand of the property has been reduced by 13%. The solar initiative will save over R350 000 per annum and accounts for 5% of the building's demand.

Acquisitions (post period end)

After the end of the reporting period Tower concluded the acquisition of three convenience shopping centres (as announced on SENS on 19 December 2014) with a combined value of R238 million. The acquisitions were settled 50% in cash and 50% in shares which were issued at R9.10 per share. These shopping centres provide Tower with exposure to the fast growing lower LSM consumer market. The majority of sections in the Sun Clare office block were purchased for R193 million (as announced on SENS on 16 January 2015). The deal is subject to Competition Commission approval. A smaller office property in Gauteng is in the process of transfer at a value of R51 million. All new properties should transfer by 1 May 2015.

Borrowings

Tower has loan facilities totalling R811 million at 30 November 2014. Interest rates are hedged on 74% of the total loan facility and the weighted average rate of interest is 8.33% for the portfolio. Based on investment properties valued at R2.2 billion, the loan to value ("LTV") ratio of the fund was 34% at the end of the period. The Fund has a targeted LTV of 40%. The Fund has entered into an agreement with Standard Bank to refinance R475 million of debt with other institutions which will reduce rates by 87 basis points and result in a R4.15 million interest saving per annum.

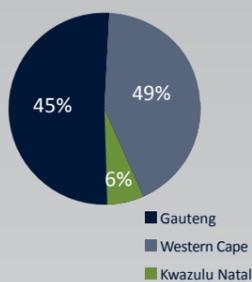
Prospects

Management continues to focus on the acquisition of strategic properties to ensure the sustainability of the fund and to enhance returns for investors.

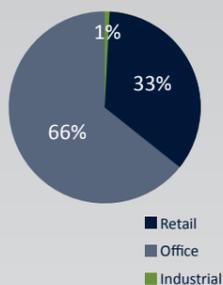
As detailed above, retail and office properties worth R481 million have been acquired since the end of the period (transfer expected within three months). The purchase of a further retail property of R110 million is expected to be announced shortly. This will bring total acquisitions expected in the first quarter of the 2015 financial year to R591 million. Further commercial property totalling R900 million is under negotiation. Management expects the value of the portfolio to reach R3.5 billion by year end in May 2015.

The directors remain committed to meeting the distribution forecast of 86.6 cents for the 2015 financial year, as published in the company's pre-listing statement in July 2013.

Geographic profile by value (Nov 2014)



Sectoral profile by value (Nov 2014)



TOWER PROPERTY FUND LIMITED

Consolidated statement of comprehensive income

	Unaudited 6 months ended 30 November 2014	Unaudited 5 months ended 30 November 2013	Audited 12 months ended 31 May 2014
	R'000	R'000	R'000
Revenue			
Contractual rental income	110 097	79 393	174 168
Straight line rental income accrual	7 799	5 839	17 102
	117 896	85 232	191 270
Net property operating expenses	(14 167)	(10 221)	(19 785)
Net property income	103 729	75 011	171 485
Administration expenses	(7 236)	(4 650)	(10 273)
Other income	-	-	480
Net operating profit	96 493	70 361	161 692
Fair value adjustments on investment properties	40 609	(68 506)	(11 740)
Fair value adjustments on interest rate swaps	(4 032)	-	(1 442)
Profit from operations	133 070	1 855	148 510
Finance costs	(34 823)	(24 510)	(53 456)
Finance income	771	1 105	3 066
Capital raising expenses	(80)	(9 571)	(11 487)
Profit/(loss) before taxation	98 938	(31 121)	86 633
Taxation	-	(2 075)	-
Total comprehensive profit/(loss) for the period	98 938	(33 196)	86 633

Basic and diluted earnings per share - weighted average shares in issue (cents)

	2014	2013	2014
	69	(40)	82

Consolidated statement of financial position

	2014	2013	2014
Assets			
Non-current assets	2 216 781	1 642 357	2 060 847
Investment properties	2 191 880	1 636 518	2 043 745
Straight line rental accrual	24 901	5 839	17 102
Current assets	103 424	98 225	75 053
Trade and other receivables	46 056	35 455	36 882
Cash and cash equivalents	57 368	62 770	38 171
Total assets	2 320 205	1 740 582	2 135 900

	2014	2013	2014
Equity and liabilities			
Equity	1 456 475	1 025 309	1 240 830
Stated capital	1 368 649	1 060 014	1 251 034
Treasury capital	(744)	-	-
Retained income	88 570	(34 705)	(10 204)

	2014	2013	2014
Liabilities			
Non-current liabilities	811 314	660 519	769 518
Secured financial liabilities	811 314	660 519	769 518
Current liabilities	52 416	54 754	125 552
Secured financial liabilities	-	752	-
Current taxation	-	2 075	-
Trade and other payables	52 416	51 927	68 635
Shareholders for dividend	-	-	56 917

Total equity and liabilities

	2014	2013	2014
	2 320 205	1 740 582	2 135 900

	2014	2013	2014
Shares in issue (000)	150 048	113 092	136 853
NAV per share (cents)	971	907	907

Consolidated statement of cash flows

	2014	2013	2014
Cash generated from operations	73 646	69 922	164 597
Investment income	771	1 105	3 066
Finance costs	(34 823)	(24 510)	(53 456)
Net cash from operating activities	39 594	46 517	114 207
Acquisition of investment property	(11 050)	(1 705 024)	(1 228 082)
Proceeds on sale of investment property	11 310	-	-
Net cash from investing activities	260	(1 705 024)	(1 228 082)

	2014	2013	2014
Proceeds from issue of linked units	-	1 076 147	440 031
Capital raising expenses	-	(16 141)	(16 142)
Loans raised	37 168	661 271	768 076
Acquisition of treasury shares	(744)	-	-
Dividends paid	(57 081)	-	(39 919)
Net cash from financing activities	(20 657)	1 721 277	1 152 046
Net movement in cash and cash equivalents	19 197	62 770	38 171
Cash and cash equivalents at beginning of period	38 171	-	-
Cash and cash equivalents at end of period	57 368	62 770	38 171

Consolidated statement of changes in equity

	Stated Capital R'000	Treasury Capital R'000	Retained Income R'000	Total R'000
Balance at 1 March 2012	-	-	-	-
Shares issued	8	-	-	8
Total comprehensive loss	-	-	(1)	(1)
Balance at 31 May 2013	8	-	(1)	7
Shares issued	1 076 147	-	-	1 076 147
Share issue expenses	(16 141)	-	-	(16 141)
Total comprehensive loss	-	-	(33 196)	(33 196)
Dividend paid	-	-	(1 508)	(1 508)
Balance at 30 November 2013	1 060 014	-	(34 705)	1 025 309
Shares issued	191 021	-	-	191 021
Share issue expenses	(1)	-	-	(1)
Total comprehensive profit	-	-	119 829	119 829
Dividends declared	-	-	(95 328)	(95 328)
Balance at 31 May 2014	1 251 034	-	(10 204)	1 240 830
Issue of 361 678 shares effective 1 July 2014	2 938	-	-	2 938
Issue of 12 941 543 shares effective 5 September 2014	110 615	-	-	110 615
Antecedent interest	4 062	-	-	4 062
Acquisition of treasury shares	-	(744)	-	(744)
Total comprehensive profit	-	-	98 938	98 938
Dividends declared	-	-	(164)	(164)
Balance at 30 November 2014	1 368 649	(744)	88 570	1 456 475

Calculation of headline earnings and distributable earnings reconciliation

	2014	2013	2014
Total comprehensive profit/loss for the period	98 938	(33 196)	86 633
<i>Adjusted for:</i>			
Change in fair value of investment properties	(37 695)	68 506	11 740
Headline earnings	61 243	35 310	98 373
<i>Adjusted for:</i>			
Straight line rental income accrual	(7 799)	(5 839)	(17 102)
Antecedent interest	4 062	-	-
Change in fair value of interest rate swaps	4 032	-	1 442
Distributable profit	61 538	29 471	82 713
<i>Adjusted for:</i>			
Capital raising expenses	80	9 571	11 487
Amortisation of debt raising fees	1 389	662	2 636
Distributable earnings	63 007	39 704	96 836

Headline earnings per share - weighted average shares in issue (cents)

	2014	2013	2014
	42.7	42.5	93.1

Distributable earnings per share - shares in issue at period end (cents)

	2014	2013	2014
	42.0	35.1	70.8

Dividend per share (cents)

	2014	2013	2014
	42.0	33.0	74.6

Weighted average number of shares in issue

	2014	2013	2014
Number of shares in issue at period end	143 296 617	82 994 339	105 709 677
Number of shares in issue at period end	150 048 279	113 092 004	136 852 996

There are no dilutive instruments in issue

Segmental analysis

	Retail R'000	Office R'000	Industrial R'000	Total R'000
For the 6 months ended 30 November 2014				
Property assets	759 626	1 432 195	24 960	2 216 781
Segment liabilities	292 259	507 265	11 790	811 314

	2014	2013	2014	2013
Revenue (excluding straight line lease adjustments)	36 337	72 554	1 206	110 097
Net operating costs	(5 257)	(8 769)	(141)	(14 167)
Segment profit	31 080	63 785	1 065	95 930
Straight line lease adjustment	-	-	-	7 799
Non property related expenses	-	-	-	(7 236)
Net operating profit	-	-	-	96 493

	Retail R'000	Office R'000	Total R'000
For the 5 months ended 30 November 2013			
Property assets	387 232	1 255 125	1 642 357
Segment liabilities	188 329	472 942	661 271

	2013	2012	2013
Revenue (excluding straight line lease adjustments)	22 300	57 093	79 393
Net operating costs	(4 744)	(5 477)	(10 221)
Segment profit	17 556	51 616	69 172
Straight line lease adjustment	-	-	5 839
Non property related expenses	-	-	(4 650)
Net operating profit	-	-	70 361

Note:

Related party transactions included:

	2014	2013
Asset management fees paid to Tower Asset Managers Proprietary Limited (R'000)	5 207	-
Property management fees paid to Spire Property Management Proprietary Limited (R'000)	4 597	-

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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*, J Mabin** (Chief Financial Officer), B Kerswill, A Magwentshu*, N Milne*, R Naidoo*

*non-executive directors; **Appointed 1 January 2015

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(formerly Refin 1004 Proprietary Limited)
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ISIN: ZAE000179040
(Approved as a REIT by the JSE)
("Tower" or the "Fund")

