

## Basis of preparation

The summarised results of the audited consolidated financial statements (“results”) for the year ended 31 May 2016 have been prepared in accordance with the framework concepts, the measurement and recognition requirements of International Financial Reporting Standards (“IFRS”), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the information required by IAS 34: Interim Financial Reporting, the JSE Listings Requirements and in the manner required by the Companies Act of South Africa. The accounting policies and methods of computation applied in the preparation of the results are in accordance with IFRS and are consistent with those applied in the audited annual financial statements for the year ended 31 May 2015, except for the new and amended standards of IFRS adopted as set out below.

In the current year, the group has adopted all amendments to IFRSs that are relevant to its operations and effective for the reporting period beginning on 1 June 2015.

At the reporting date the following amendments were adopted, which are relevant to the group’s operations, but had no material effect:

- Amendments to IFRS 3 – Contingent consideration and accounting for the formation of joint arrangements;
- Amendment to IFRS 8 – Operating segments;
- Amendment to IAS 37 and IAS 39 – Contingent consideration of an acquirer in a business combination;
- Amendment to IAS 40 – Determining whether the acquisition of a property is the acquisition of an investment property or a business combination.

There was no material impact on the results on the adoption of the above amendments. Mazars, the group’s independent auditor, has audited the consolidated annual financial statements of Tower Property Fund Limited for the year ended 31 May 2016 and has expressed an unqualified audit opinion thereon. These summarised results have been extracted from the audited consolidated annual financial statements for the year ended 31 May 2016, but are not themselves audited. The audited consolidated financial statements and audit report are available for inspection at the company’s registered office. Their audit was conducted in accordance with International Standards on Auditing and the applicable requirements of the South African Companies Act, 71 of 2008, as amended. The auditor’s report does not necessarily report on all the information contained in this report. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor’s engagement they should obtain a copy of the auditor’s report together with the accompanying financial information from the registered office.

These results were prepared under the supervision of Mrs J Mabin CA(SA) in her capacity as Chief Financial Officer. The directors take full responsibility for the preparation of the summarised results for the year ended 31 May 2016 and for ensuring that the financial and other information has been correctly extracted from the underlying audited consolidated annual financial statements for the year ended 31 May 2016. The directors are not aware of any matters or circumstances arising subsequent to 31 May 2016 that require any additional disclosure or adjustment to the financial statements, other than as disclosed in this announcement.

### 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.

The valuation of interest rate swaps uses observable market data and requires management judgement and estimation. The availability of observable market data and model inputs reduces the need for management’s judgement and estimation and also reduces uncertainty associated with the determination of fair values. The fair value of the interest rate swap is determined by the bank using a valuation technique that maximises the use of observable market inputs. Interest rate swaps are valued by discounting future cash flows using the interest rate yield curve. Interest rate swaps are classified as level 2 financial instruments.

On 31 May 2016, the group cancelled its rand denominated swap and caps totalling R780 million, which expired within one to two years. These fixes were significantly in the money and the proceeds from the cancellation thereof was used to purchase a R500 million swap at 7.70%, expiring on 31 May 2019.

The group entered into Euro denominated interest rate swaps in respect of the following borrowings:

	<b>Notional amount (Euro ‘000)</b>
Contract 1: 4.10% maturing 3 August 2020	7 000
Contract 2: 3.70% maturing 18 March 2021	2 540
Contract 3: 3.60% maturing 21 June 2021	31 514*

\* Entered into post year-end

### Dividend distribution

Notice is hereby given that a gross dividend of 46.81552 cents per share (dividend number 6) has been declared in respect of the year ended 31 May 2016. In accordance with Tower’s status as a REIT, shareholders are advised that the distribution meets the requirements of a “qualifying distribution” for the purposes of section 25BB of the Income Tax Act, No. 58 of 1962 (Income Tax Act) from income reserves.

Accordingly the dividend received by South African tax residents must be included in their gross income and will not be exempt in terms of the ordinary dividend exemption in section 10(1)(k)(i) of the Income Tax Act as a result of paragraph (aa) of the proviso thereto which provides that dividends distributed by a REIT are not exempt from income tax.

The dividend is, however, exempt from dividend withholding tax in the hands of South African tax resident shareholders, provided that the South African resident shareholders provide the following forms to their Central Securities Depository Participant (CSDP) or broker, as the case may be in respect of uncertificated shares or the company, in respect of certificated shares:

- a) a declaration that the dividends are exempt from dividend tax; and
- b) a written undertaking to inform the CSDP or broker, as the case may be, should the circumstances affecting the reduced rate change or the beneficial owner cease to be the beneficial owner;

both in the form prescribed by the Commissioner for the South African Revenue Service. Shareholders are advised to contact their CSDP or broker, as the case may be, to arrange for the abovementioned documents to be submitted prior to the payment of the distribution if such documents have not already been submitted.

Dividends received by non-resident shareholders will be exempt from income tax in terms of section 10(1)(k)(i) of the Act, but will be subject to dividend withholding tax. Dividend withholding tax is levied at a rate of 15%, unless the rate is reduced in terms of any applicable agreement for the avoidance of double taxation (DTA) between South Africa and the country of residence of the shareholder.

Should dividend withholding tax be withheld at a rate of 15%, the net dividend amount due to non-resident shareholders is 39.79319 cents per share. A reduced dividend withholding rate in terms of the applicable DTA may only be relied on if the non-resident shareholder has provided the following forms to their CSDP or broker, as the case may be in respect of uncertificated shares or the Company, in respect of certificated shares:

- a) a declaration that the dividend is subject to a reduced rate as a result of the application of a DTA; and
- b) a written undertaking to inform the CSDP or broker, as the case may be, should the circumstances affecting the reduced rate change or the beneficial owner cease to be the beneficial owner,

both in the form prescribed by the Commissioner for the South African Revenue Service. Non-resident shareholders are advised to contact their CSDP or broker, as the case may be, to arrange for the abovementioned documents to be submitted prior to the payment of the distribution if such documents have not already been submitted.

The dividend is payable to Tower shareholders in accordance with the timetable set out below:

	<b>2016</b>
Last day to trade <i>cum</i> dividend:	Tuesday, 23 August
Shares trade <i>ex</i> dividend:	Wednesday, 24 August
Record date:	Friday, 26 August
Payment date:	Monday, 29 August

Share certificates may not be dematerialised or rematerialised between Wednesday, 24 August and Friday, 26 August 2016, both days inclusive.

The dividend will be transferred to dematerialised shareholders’ CSDP accounts or broker accounts on Monday, 29 August 2016.

Certificated shareholders’ dividend payments will be paid to certificated shareholders’ bank accounts on or about Monday, 29 August 2016.

Shares in issue at date of declaration (excluding treasury shares): 340 100 686

Tower income tax reference number: 9607/564/16/9

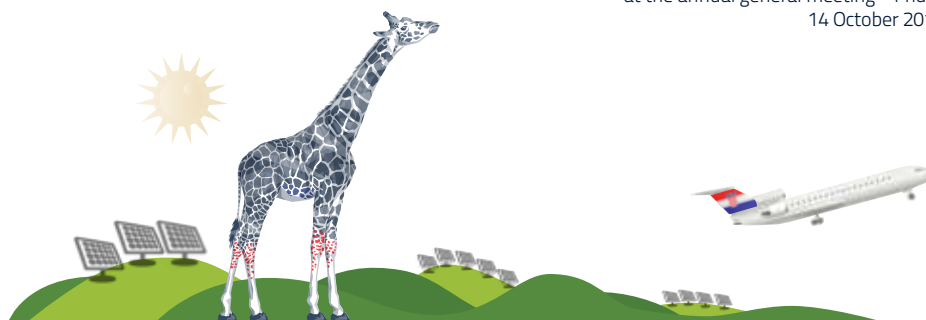
By order of the Board

**Tower Property Fund Limited**  
4 August 2016

The Annual General Meeting will be held on 19 October 2016 at 10:00 at the Belmont Conference Centre.

Last day to trade to participate in and vote at the annual general meeting – Tuesday, 11 October 2016.

Record date to participate in and vote  
at the annual general meeting – Friday,  
14 October 2016.



<p><b>Tower Property Fund Limited</b> 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 “group”)</p>	<p><b>Registered address</b> 2nd Floor, Spire House, Tannery Park, 23 Belmont Road, Rondebosch, 7700 (PO Box 155, Rondebosch, 7701) +27 (0)21 685 4020/info@towerpropertyfund.co.za</p> <p><b>Contact details</b> <b>Company secretary</b> <b>Auditors</b> <b>Sponsor</b> <b>Transfer secretaries</b> <b>Directors:</b></p>	<p>Link Market Services South Africa Proprietary Limited 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* (* <i>non-executive</i>)</p>
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# for the year ended 31 May 2016

# TOWER PROPERTY FUND ABRIDGED RESULTS OF THE AUDITED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

## Profile

Tower Property Fund Limited and its subsidiaries own a diversified portfolio of 50 retail, office and industrial properties valued at R5.1 billion (as at 30 June 2016), located in South Africa and in Croatia, representing 69% and 31%, by value, respectively. The South African portfolio is spread across the Western Cape (26% by value), Gauteng (33% by value) and KwaZulu-Natal (10% by value). The group aims to add value through active property asset management and the cost-effective greening of properties in the portfolio. The group plays a leading role in the green building movement in South Africa and abroad, with some of its directors being the founding members of the Green Building Council of South Africa.

The investment strategy is to expand the portfolio by targeting well located, mainly medium-sized (R80 million to R300 million) properties with strong cash flows and to ensure a diversified sectoral and geographic portfolio. The objective set at the time of the JSE listing to have retail properties account for approximately half of the portfolio by value is close to being achieved, with the sectoral make-up as at 30 June 2016 comprising retail 49%, office 43% and industrial 8%.

Macroeconomic conditions in South Africa deteriorated dramatically in the past year. The depreciating currency weakened further in the second half of the financial year primarily as a result of political uncertainty and the country remains vulnerable to a downgrade from international rating agencies.

Tower’s offshore exposure serves as a hedge against this volatility, with its first Croatian property increasing in value by approximately R134 million in the 10 months since being acquired.

Despite the poor trading conditions in South Africa, Tower achieved its forecast performance for the year ended 31 May 2016 (“**the period**”). Revenue increased by 52% to R376 million and net operating profit by 50% to R302 million.

Distributable earnings increased by 61% to R221 million and the directors are pleased to declare a total distribution of 92 cents per share for the period. Based on a share price of R8.07 at 31 May 2016 (R7.60 *ex dividend*) the distribution of 92 cents per share equates to a 12.1% yield.

The net asset value per share at 31 May 2016 is R9.85.

## Operating performance

During the period, four properties totalling R728 million were acquired, increasing the value of the portfolio by 26% to R3.9 billion. The properties are as follows:

- 15 Wellington Road, a recently refurbished mixed-use property in Parktown (R81 million)
- Evagold Shopping Centre, a lower LSM shopping centre in Evaton anchored by Cambridge Food (R110 million)
- Link Hills Shopping Centre, a convenience shopping mall in the new Waterfall node of KZN (R217 million)
- VMD KVART Block B, a premium grade office property in Zagreb, Croatia (R320 million acquisition, R452 million valuation as at 31 May 2016).

Active asset management of the portfolio has continued to reduce operating costs, with the successful greening programme initiated in 2013 continuing to be rolled out to suitable properties. All lighting retrofits in key properties and solar installations are outperforming management’s expectations. Selected properties continue to be assessed by the Green Building Council of South Africa with the Cape Quarter currently being evaluated for an existing building rating. Tower currently has two Green Building Council rated properties.

Residential apartments are being developed in the Cape Quarter precinct (32 Napier Street), where 19 new apartments are being built. These will be sold by the group over time given the high demand for residential property in the area.

Portfolio vacancies increased to 5% at year-end. However, following the Croatian transaction, overall vacancies reduced to a record 4% at the end of June 2016. In the past 12 months 70 346m<sup>2</sup> was let with 29 534m<sup>2</sup> of new leases and 40 812m<sup>2</sup> of renewals.

Strengthening the group’s balance sheet is a key focus and selected properties which have been held since the JSE listing are in the process of being sold. 73 Hertzog Boulevard was sold for R111 million (the building was acquired in July 2013 for R89 million). A further five, non-core properties are currently being offered to interested buyers. The group expects to achieve aggregate sales of R200 million for this portfolio of properties. The proceeds from these sales will be used to reduce debt and repurchase shares given the share’s attractive yield.

- **Total distribution of 92 cents per share in line with earnings growth forecast**
- **Revenue up 52% to R376 million**
- **Headline earnings up 32% to R164 million**
- **Market capitalisation increased by 19% to R1.9 billion (and by 69% to R2.7 billion at 30 June 2016)**
- **R740 million raised through bookbuild\*\***
- **Properties totalling R1.6 billion acquired in Eastern Europe (Croatia)\***
- **Asset management company internalised\*\***
- **Portfolio expanded to 46 properties (50 properties at 30 June 2016)**
- **Portfolio value increased by 19% to R3.9 billion (65% to R5.1 billion at 30 June 2016)**

\* R1.1 billion post year-end

\*\* Post year-end



## Financial performance

