19% ▲	18% ▲	16% ▼	28%	52% ▲	49	€66.4m
Revenue up to R447 million	Distributable earnings up to R262 million	Distributable earnings down to 77.1c per share due to resetting base earnings and Agrokor arrears*	Properties, by value, located in Croatia	Operating profit up to R458 million	Properties at a value of R5 billion	Acquisition of €66.4 million Croatian retail property

Tower Property Fund Limited

Summarised audited consolidated annual results

for the year ended 31 May 2017

TOWER

PROFILE

Tower is an internally managed real estate investment trust (REIT) which owns a diversified portfolio of 49 commercial, industrial and retail properties valued at R5 billion, located in South Africa and Croatia. In South Africa, Gauteng has the greatest concentration of assets by value at 33%, with the Western Cape accounting for 29% and KwaZulu-Natal 10%. Croatia accounts for 28% of the fund's property value. The fund aims to add value through active property asset management and has taken a leading role in the market in greening its portfolio.

The investment strategy of the fund is to expand its portfolio by targeting well located properties with strong cash flows with upside potential and to ensure a diversified sectoral and geographic spread of properties. The fund currently has a sectoral spread by value of 46% retail, 47% office and 7% industrial.

DISTRIBUTION BASE REVISED

Tower's distribution per share decreased by 16% to 77.1 cents per share compared to 31 May 2016. Tower's distribution for 31 May 2016 was 92 cents per share, of which 16.4 cents per share comprised once off earnings. As announced on SENS on 11 January 2017, Tower's board decided to no longer distribute once off earnings. The directors believe that the distribution of once off earnings is detrimental to the sustainable growth in core property earnings. The adjustment to the earnings base, which is in line with the best practice recommendations released by the South African REIT Association was well received by shareholders at the time of the announcement.

Tower accordingly revised its distribution guidance for the year to 31 May 2017 to a range of 80 cents per share to 82 cents per share.

AGROKOR UPDATE AND IMPACT ON DISTRIBUTION*

Shareholders are referred to the announcements released on SENS on 2 May 2017 and 26 June 2017 regarding Agrokor d.d ("Agrokor"), the guarantor and parent company of Konzum d.o.o ("Konzum"), a major Croatian retailer and head-lease tenant in respect of four retail properties acquired by Tower in Croatia in June 2016 (the "Konzum portfolio") (the "Agrokor SENS announcements"). As detailed in the Agrokor SENS announcements, the Lex Agrokor law was adopted on 6 April 2017 for the purposes of renegotiating Agrokor and its subsidiaries' position with creditors and restructuring the Agrokor business. As per the SENS announcements, the restructuring is proceeding well with additional liquidity, in the form of new loans, secured for the business. The trading of the majority of Konzum stores is strong with non-core stores to be closed shortly. Konzum has a twelve year head lease in respect of the Konzum portfolio in terms of which Agrokor guarantees all rental payments in respect of the Konzum portfolio. The line shop rentals are paid directly to Tower by the tenants with any rental shortfalls being topped up by Konzum. Claims for rental arrears prior to 9 April 2017 were required to be submitted to the appointed administrator by 9 June 2017. Tower submitted its arrears which amounted to HRK 5.2 million (R10.3 million) (the "Agrokor arrears"). This amount is slightly lower than the amount disclosed in the Agrokor SENS announcements due to a portion being subsequently settled. Ongoing rentals are due and payable by Konzum and Tower is pleased to report that all rentals from April 2017 onwards have been fully paid.

Konzum has confirmed to Tower that Tower's properties are of critical importance to Konzum. Tower has engaged with other retailers in the event of Konzum defaulting on its ongoing rental commitments and there is strong appetite for the Konzum sites from competing retailers. Tower is confident that if it were to cancel the Konzum lease due to default on rental payments, a strong international anchor tenant would replace Konzum.

Tower has met regularly with the Agrokor commissioner and representatives of Agrokor (as recently as 18 July 2017), to ensure Konzum's ongoing rental obligations are settled. After these meetings, Tower is confident about the current and future performance of the Konzum stores in the Konzum portfolio.

Tower continues to utilise all methods at its disposal to recover the Agrokor arrears. Tower's claim for the Agrokor arrears has been combined with a number of other creditor claims and the settlement thereof is to be motivated by the Agrokor commissioner and decided upon by the Agrokor credit committee.

Due to the timing of the release of its annual results and the uncertainty regarding the quantum, method and timing of the settlement of the Agrokor arrears, Tower believes it would not be prudent to distribute any of the Agrokor arrears at this time and has therefore deducted this amount from its distributable income for the year ended 31 May 2017. Tower will include the Agrokor arrears in its future distributions as and when they are settled by Agrokor.

FINANCIAL PERFORMANCE

Key features of the past year have been the internalisation of the asset management company as well as the acquisition of €66.4 million of Croatian retail property comprising four high quality shopping centres all under fully repairing twelve year (triple net) head leases.

In an extremely challenging operating environment, revenue increased by 19% to R447 million and operating profit by 52% to R458 million. Distributable earnings for the period totalled R262 million and the directors are pleased to declare a final distribution of 38.7 cents per share for the year ended 31 May 2017 which translates into 77.1 cents per share for the full year. The number of shares in issue has increased by 42%.

PROGRESS ON ANTICIPATED PROFITS

As announced in the November 2016 interim results, Tower anticipates generating once off earnings from certain asset management initiatives in the portfolio in the next 6 to 36 months. These proceeds will be reinvested in the company to maximise returns. These profits arise from the refurbishment of 32 Napier Street and the Piazza at Cape Quarter, sales of non-core properties and other initiatives as announced on SENS on 11 January 2017. The first phase of the Cape Quarter residential scheme at 32 Napier Street has progressed well, with completion expected by mid-2018. 140 additional parking bays are being added to 32 Napier Street which will serve to satisfy the high demand in the area. A further 54 – 74 residential apartments are to be developed at Cape Quarter Piazza, with construction commencing in the second quarter of 2018.

SALE OF NON-CORE PROPERTIES

Nine properties totalling R519 million are being sold subsequent to year-end. While these are attractive, mainly B grade properties, management believes that the proceeds of these sales can be more effectively utilised elsewhere in the company. R186 million of these properties are expected to transfer in the next few months.

CROATIAN PORTFOLIO

Tower's portfolio in Croatia is now valued at €96 million. Tower's office property, VMD, is performing well and is considered by many property experts as the highest quality office property in Zagreb.

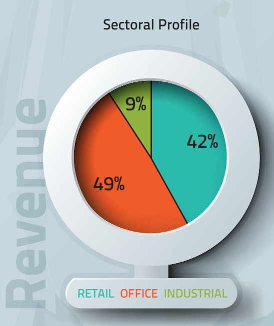
OPERATING PERFORMANCE

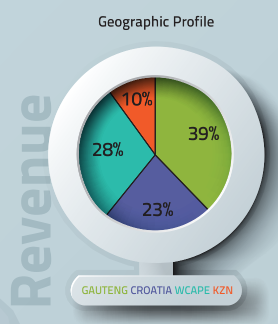
During the period the following properties, located in Croatia, were acquired for €66.4 million:

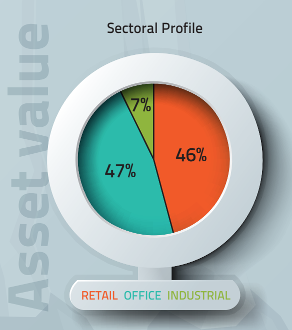
Superkonzum, Vukovarska, Zagreb	GLA	3 223 m²	Big box retail with line shops
Meridijan 16, Gracani, Zagreb	GLA	9 362 m²	Convenience shopping centre
Superkonzum, Velika Gorica	GLA	5 510 m²	Big box retail with line shops
Sub City Centre, Dubrovnik	GLA	12 259 m²	Convenience shopping centre

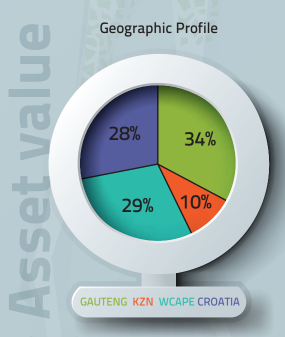
Portfolio vacancies have increased to 5.9% as at 31 July 2017 (6.8% in South Africa). South African vacancies are further broken down to 2.1% office, 1.4% retail and 2.3% industrial. There are currently 7% vacancies in the Croation portfolio line shops, however those are guaranteed by the head leases on the properties.

The weighted average lease expiry of the fund is 4.4 years with the South African portfolio at 2.8 years.









BORROWINGS

Tower has loan facilities totalling R2.0 billion at 31 May 2017 (35% ZAR debt, 65% Euro debt). Interest rates are hedged on 72% of the total loan facility (ZAR debt 72%, Euro debt 72%) and the weighted average rate of interest is 5.76% (ZAR debt 9.14%, Euro debt 3.91%) for the portfolio. Based on investment properties valued at R5.0 billion, the loan to value (LTV) ratio of the group was 39% at the end of the period. The LTV is calculated as other financial liabilities less cash, divided by investment property. Should the sales of non-core properties and the ring-fencing of the Croatian properties materialise, approximately R600 million will be paid into Tower's loan facilities to reduce the LTV to 31%.

PROSPECTS

The "business rescue" of Agrokor in Croatia and the deteriorating political landscape in South Africa have made recent months particularly difficult to navigate for Tower's management. The slowing consumer economy has negatively affected the performance of several large retailers which will affect the property market and sentiment in South Africa.

Tower's properties are however performing above the SA Property Owners Association (SAPOA) benchmarks, are well managed and should continue to grow their net property income. Shareholders should expect 6 to 8% growth in distribution per share for the next twelve months. This forecast has not been reviewed or reported on by the fund's auditors.

The resolution of the Agrokor/Konzum tenancy is currently Tower's main priority. Shareholders are assured that all steps are being taken to ensure that the fund's rights are protected. Subject to required approvals, Tower plans to ring-fence its Croatian properties in a separate vehicle in which Tower will hold interests, allowing shareholders direct investment into offshore assets.

BASIS OF PREPARATION

The summarised results of the audited consolidated financial statements ("results") for the year ended 31 May 2017 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 contains the information required by IAS 34: Interim Financial Reporting. They comply with the JSE Listings Requirements and the Companies Act, 71 of 2008, of South Africa. The accounting policies and methods of computation applied in the preparation of the results are consistent with those applied in the audited annual financial statements for the year ended 31 May 2016.

Mazars, the group's independent auditor, has audited the consolidated annual financial statements of Tower for the year ended 31 May 2017 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 2017, but are not themselves audited. The audited consolidated annual 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 Companies Act of South Africa. The auditor's report does not necessarily report on all 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 underlying audited annual financial statements 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 2017 and for ensuring that the financial and other information contained in the summarised results has been correctly extracted from the underlying audited consolidated annual financial statements for the year ended 31 May 2017. The directors are not aware of any matters or circumstances arising subsequent to 31 May 2017 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.

The interest rate has been fixed on R500 million of borrowings at 7.70%, expiring on 31 May 2019 and the company has entered into the following Euro denominated swaps:

	Notional amount (Euro '000)
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	30 514
Contract 4: 3.75% maturing 13 January 2022	13 199

DIVIDEND DISTRIBUTION

Notice is hereby given that a gross cash dividend of 38.67641 cents per share (dividend number 8) has been declared from income reserves in respect of the year ended 31 May 2017. 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). The distribution on the shares will be deemed to be a dividend for South African tax purposes in terms of section 25BB of the Income Tax Act.

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 Income Tax Act. On 22 February 2017, the dividends withholding tax rate was increased from 15% to 20%, accordingly, any dividend will be subject to dividend withholding tax levied at a rate of 20%, 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 20%, the net dividend amount due to non-resident shareholders is 30.94113 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:

	2017
Last day to trade cum dividend distribution:	Tuesday, 15 August
Shares trade ex dividend distribution:	Wednesday, 16 August
Record date:	Friday, 18 August
Payment date:	Monday, 21 August

Share certificates may not be dematerialised or rematerialised between Wednesday, 16 August and Friday, 18 August 2017, both days inclusive.

The dividend will be transferred to dematerialised shareholders' CSDP accounts or broker accounts on Monday, 21 August 2017.

Certificated shareholders' dividend payments will be paid to certificated shareholders' bank accounts on or about Monday, 21 August 2017.

Shares in issue at date of declaration (excluding treasury shares): 339 549 647.

Tower's income tax reference number: 9607/564/16/9.

By order of the Board

Tower Property Fund Limited
31 July 2017

The Annual General Meeting will be held on Tuesday, 17 October 2017 at 10:00 at the Belmont Conference Centre.

The last day to trade to participate in and vote at the annual general meeting is Tuesday, 10 October 2017.

The record date to participate in and vote at the annual general meeting is Friday, 6 October 2017.

Tower Property Fund 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 "group" or the "fund")

Registered address	2nd Floor, Spire House, Tannery Park, 23 Belmont Road, Rondebosch, 7700 (PO Box 155, Rondebosch, 7701)
Contact details	+27 (0)21 685 4020/info@towerpropertyfund.co.za
Company secretary	Ovland Management Services Proprietary Limited
Auditors	Mazars
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*)

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND COMPREHENSIVE INCOME

	Notes	Audited 12 months ended 31 May 2017 R'000	Audited 12 months ended 31 May 2016 R'000
REVENUE			
Contractual rental income		**437 041**	355 686
Straight-line lease accrual		**10 300**	20 765
		447 341	376 451
Net property operating expenses	4	**(34 259)**	(30 733)
NET PROPERTY INCOME		**413 082**	345 718
Administration expenses	6	**(16 394)**	(23 946)
Other income	7	**533**	10 377
Impairment of goodwill	8	**(3 006)**	–
Foreign exchange gain/(loss)	9	**63 874**	(30 519)
NET OPERATING PROFIT		**458 089**	301 630
Fair value adjustments on investment properties		**123 993**	(10 604)
Fair value adjustments on interest rate derivatives		**(12 449)**	(7 533)
PROFIT FROM OPERATIONS		**569 633**	283 493
Finance income		**3 340**	2 635
Finance costs		**(127 899)**	(117 675)
Indirect capital raising expenses		**(557)**	(894)
PROFIT BEFORE TAXATION		**444 517**	167 559
Taxation		**–**	–
PROFIT FOR THE PERIOD		**444 517**	167 559
OTHER COMPREHENSIVE INCOME – ITEMS THAT MAY SUBSEQUENTLY BE RECLASSIFIED TO PROFIT AND LOSS			
Exchange difference on foreign operations		**(54 119)**	42 968
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**390 398**	210 527
Profit for the period attributable to:			
Equity shareholders of Tower Property Fund Limited		**437 103**	158 840
Non-controlling interest	10	**7 414**	8 719
		444 517	167 559
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Equity shareholders of Tower Property Fund Limited		**385 999**	200 789
Non-controlling interest	10	**4 399**	9 738
		390 398	210 527
Basic and diluted earnings per share (weighted average shares in issue) (cents)		**129.8**	67.1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Audited 12 months ended 31 May 2017 R'000	Audited 12 months ended 31 May 2016 R'000
ASSETS			
NON-CURRENT ASSETS			
Investment property		**4 395 194**	3 889 664
Straight-line lease accrual		**54 505**	52 682
Property, plant and equipment		**198**	–
Other financial assets		**–**	3 184
Goodwill	8	**241 094**	–
		4 690 991	3 945 530
CURRENT ASSETS			
Inventories		**12 495**	–
Trade and other receivables		**117 194**	77 053
Cash and cash equivalents		**58 945**	63 620
Amounts receivable for the sale of investment property		**–**	111 000
		188 634	251 673
Investment property held for sale		**518 626**	–
		707 260	251 673
TOTAL ASSETS		**5 398 251**	4 197 203
EQUITY AND LIABILITIES			
EQUITY			
Stated capital		**3 039 980**	2 239 098
Treasury capital		**(4 636)**	(2 854)
Foreign currency translation reserve		**(9 155)**	41 949
Retained income		**237 031**	89 390
Shareholders' interest		**3 263 220**	2 367 583
Non-controlling interest	10	**24 627**	20 228
Total equity		**3 287 847**	2 387 811
LIABILITIES			
NON-CURRENT LIABILITIES			
Other financial liabilities		**1 731 466**	1 023 828
Loan payable to shareholder		**24 369**	30 920
		1 755 835	1 054 748
CURRENT LIABILITIES			
Other financial liabilities		**279 441**	691 354
Trade and other payables		**75 128**	63 290
		354 569	754 644
TOTAL EQUITY AND LIABILITIES		**5 398 251**	4 197 203

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Stated Capital R'000	Treasury Capital R'000	Foreign Currency Translation Reserve (FTCR) R'000	Retained Income R'000	Shareholders' interest R'000	Non-controlling Interest R'000	Total R'000
BALANCE AT 1 JUNE 2015	1 519 601	(1 212)	–	146 650	1 665 039	–	1 665 039
Shares issued during the year	715 450	–	–	–	715 450	–	715 450
Share issue expenses	(7 500)	–	–	–	(7 500)	–	(7 500)
Antecedent dividends	11 547	–	–	–	11 547	–	11 547
Acquisition of treasury shares	–	(1 642)	–	–	(1 642)	–	(1 642)
Acquisition of foreign subsidiary	–	–	–	–	–	10 490	10 490
Profit for the year	–	–	–	158 840	158 840	8 719	167 559
Foreign currency translation differences	–	–	41 949	–	41 949	1 019	42 968
Dividends paid	–	–	–	(216 100)	(216 100)	–	(216 100)
BALANCE AT 31 MAY 2016	**2 239 098**	**(2 854)**	**41 949**	**89 390**	**2 367 583**	**20 228**	**2 387 811**
Shares issued during the year	**812 895**	**–**	**–**	**–**	**812 895**	**–**	**812 895**
Share issue expenses	**(15 936)**	**–**	**–**	**–**	**(15 936)**	**–**	**(15 936)**
Antecedent dividends	**3 923**	**–**	**–**	**–**	**3 923**	**–**	**3 923**
Acquisition of treasury shares	**–**	**(1 782)**	**–**	**–**	**(1 782)**	**–**	**(1 782)**
Profit for the year	**–**	**–**	**–**	**437 103**	**437 103**	**7 414**	**444 517**
Foreign currency translation differences	**–**	**–**	**(51 104)**	**–**	**(51 104)**	**(3 015)**	**(54 119)**
Dividends paid	**–**	**–**	**–**	**(289 462)**	**(289 462)**	**–**	**(289 462)**
BALANCE AT 31 MAY 2017	**3 039 980**	**(4 636)**	**(9 155)**	**237 031**	**3 263 220**	**24 627**	**3 287 847**

SEGMENTAL ANALYSIS

	South Africa				Croatia				
For the year ended 31 May 2017 (R'000)	**Retail**	**Office**	**Industrial**	**Total**	**Retail**	**Office**	**Industrial**	**Total**	**Grand Total**
Property assets*	**1 322 646**	**1 933 584**	**351 323**	**3 607 553**	**975 928**	**397 537**	**–**	**1 373 465**	**4 981 018**
Segment liabilities**	**591 857**	**830 627**	**155 823**	**1 578 307**	**343 829**	**163 390**	**–**	**507 219**	**2 085 526**
Additions to goodwill	**36 040**	**56 057**	**11 824**	**103 921**	**130 397**	**9 782**	**–**	**140 179**	**244 100**
Fair value adjustment to investment properties	**33 542**	**26 206**	**(40 798)**	**18 950**	**81 847**	**23 196**	**–**	**105 043**	**123 993**
Straight-line lease accrual	**26 564**	**26 305**	**1 636**	**54 505**	**–**	**–**	**–**	**–**	**54 505**
Revenue (excluding straight-line lease adjustments)	**113 256**	**183 932**	**39 657**	**336 845**	**69 882**	**30 314**	**–**	**100 196**	**437 041**
Net operating costs	**(19 097)**	**(12 363)**	**(1 842)**	**(33 302)**	**–**	**(957)**	**–**	**(957)**	**(34 259)**
Segment profit	**94 159**	**171 569**	**37 815**	**303 543**	**69 882**	**29 357**	**–**	**99 239**	**402 782**
Straight-line lease adjustment									**10 300**
Non-property-related expenses									**(16 394)**
Other income									**533**
Impairment of goodwill	**–**	**(3 006)**	**–**	**(3 006)**	**–**	**–**	**–**	**–**	**(3 006)**
Foreign exchange gain/(loss)									**63 874**
Net operating profit									**458 089**
For the year ended 31 May 2016 (R'000)									
Property assets*	1 295 970	1 785 162	409 053	3 490 185	–	452 161	–	452 161	3 942 346
Segment liabilities**	555 202	944 049	74 804	1 574 055	–	204 024	–	204 024	1 778 079
Additions to goodwill	–	–	–	–	–	–	–	–	–
Fair value adjustment to investment properties	19 810	(66 837)	9 064	(37 963)	–	27 359	–	27 359	(10 604)
Straight-line lease accrual	23 934	25 953	2 795	52 682	–	–	–	–	52 682
Revenue (excluding straight-line lease adjustments)	140 427	149 348	38 790	328 565	–	27 121	–	27 121	355 686
Net operating costs	(13 279)	(15 923)	(678)	(29 880)	–	(853)	–	(853)	(30 733)
Segment profit	**127 148**	**133 425**	**38 112**	**298 685**	**–**	**26 268**	**–**	**26 268**	**324 953**
Straight-line lease adjustment									20 765
Non-property-related expenses									(23 946)
Other income									10 377
Foreign exchange gain/(loss)									(30 519)
Net operating profit									301 630

Tower has restated its segment information to provide sectoral information by region. Prior period information has been restated.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Audited 12 months ended 31 May 2017 R'000	Audited 12 months ended 31 May 2016 R'000
Cash generated from operations	**348 421**	303 019
Finance income	**3 340**	2 626
Finance costs	**(127 035)**	(115 447)
NET CASH FROM OPERATING ACTIVITIES	**224 726**	190 198
Investment property acquired*	**(641 865)**	(878 046)
Cost capitalised to investment property*	**(56 522)**	(43 548)
Property,plant and equipment acquired	**(255)**	–
Acquisition of Sub Dubrovnik	**(227 917)**	–
Acquisition of management company	**(67 859)**	–
Proceeds on sale of investment property	**115 800**	5 000
NET CASH FROM INVESTING ACTIVITIES	**(878 618)**	(916 594)
Proceeds from issue of shares	**812 895**	500 000
Capital raising expenses	**(15 936)**	(7 500)
Acquisition of treasury shares	**(1 782)**	(1 642)
Loans raised	**205 879**	1 099 714
Loans repaid	**(850 172)**	(640 315)
Foreign loan raised	**817 833**	30 920
Foreign loans repaid	**(25 436)**	–
Acquisition of interest rate derivative	**–**	(2 066)
Non-controlling interest loan repayment	**(6 551)**	–
Dividends paid	**(285 529)**	(204 553)
NET CASH FROM FINANCING ACTIVITIES	**651 191**	774 558
Net movement in cash and cash equivalents	**(2 701)**	48 162
Cash and cash equivalents at beginning of period	**63 620**	15 458
Foreign exchange differences on cash balances	**(1 974)**	–
Cash and cash equivalents at end of period	**58 945**	63 620

*Prior period amounts have been restated for clarification purposes. Cost capitalised to investment property was previously disclosed as part of investment property acquired.

RECONCILIATION OF EARNINGS AND HEADLINE EARNINGS

	Gross	Audited 12 months ended 31 May 2017 R'000 Net	Audited 12 months ended 31 May 2016 R'000
PROFIT ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS		**437 103**	158 840
Adjusted for:			
Change in fair value of investment properties net of non-controlling interests	**(123 993)**	**(119 354)**	15 908
Impairment of goodwill		**3 006**	–
Profit on sale of investment property		**(533)**	(10 377)
HEADLINE EARNINGS		**320 222**	164 371
Weighted average number of shares in issue		**336 764 696**	236 655 769
Headline and diluted headline earnings per share (weighted average shares in issue) (cents)		**95.1**	69.5

NOTES:

1) **Segmental analysis**

	Audited 12 months ended 31 May 2017 R'000	Audited 12 months ended 31 May 2016 R'000
Investment property	**4 395 194**	3 889 664
Straight-line lease accrual	**54 505**	52 682
Property, plant and equipment	**198**	–
Inventories	**12 495**	–
Investment property held for sale	**518 626**	–
*Property assets	**4 981 018**	3 942 346
**Segment liabilities	**2 085 526**	1 778 079
Non-segment liabilities		
– Trade and other payables	**509**	393
– Loan to non-controlling interests	**24 369**	30 920
Total liabilities	**2 110 404**	1 809 392

NOTES (continued):

Reconciliation of headline earnings to distributable earnings

	Notes	Gross	Audited 12 months ended 31 May 2017 R'000 Net	Audited 12 months ended 31 May 2016 R'000
HEADLINE EARNINGS			**320 222**	164 371
Adjusted for:				
Straight-line lease accrual			**(10 300)**	(20 765)
Antecedent dividends			**3 923**	15 396
Change in fair value of interest rate derivatives			**12 449**	7 533
Profit on sale of investment property			**–**	10 377
Distributable profit			**326 294**	176 912
Adjusted for:				
Indirect capital raising expenses			**557**	894
Foreign exchange (gain)/loss		**(63 874)**	**(61 812)**	30 820
Contracted adjustment	11		**3 798**	10 575
Agrokor arrears			**(10 286)**	–
Amortisation of debt raising fees			**3 171**	1 677
DISTRIBUTABLE EARNINGS			**261 722**	220 878
Distributable income			**261 722**	220 878
Taxable dividend (declared on 31 July 2017)			**131 326**	–
Taxable dividend (declared on 31 January 2017)			**130 396**	–
Taxable dividend (declared on 4 August 2016)			**–**	112 368
Taxable dividend (declared on 4 February 2016)			**–**	108 510
Number of shares in issue at year-end (including treasury shares)			**340 100 686**	240 351 709
Number of shares in issue at year-end (excluding treasury shares)			**339 549 647**	240 023 530
Distribution per share			**77.1**	92.0
Six months ended 31 May			**38.7**	46.8
Six months ended 30 November			**38.4**	45.2
Distributable earnings per share (weighted average shares in issue)(cents)			**77.7**	93.3
Net asset value per share (shares in issue at period end) (cents)			**961**	985

2) **Business combinations**

2.1) The fund acquired 100% of the share capital of Sub Dubrovnik d.o.o. in Dubrovnik, Croatia, for a total purchase consideration of R227.2 million, which was settled in cash. The acquisition is in accordance with the group's strategy of establishing an offshore European platform to seek out new markets that provide strong diversification opportunities through premium, high quality properties.

2.2) The fund acquired 100% of the share capital of the asset management company, Tower Asset Managers Proprietary Limited ("TAM"), for R145 million. The acquisition was funded using R72.5 million debt and R72.5 million equity issued at a price of R10.07 per share, being the net asset value per share at 30 November 2015. The effective date of this acquisition was 30 June 2016. Going forward, the Manco internalisation will better align the interests of management with that of the Group's shareholders and is in line with global best practice.

	Sub Dubrovnik 2016 R'000	Tower Asset Managers 2016 R'000
The assets and liabilities arising from the acquisition are as follows:		
Investment properties	385 393	–
Property, plant and equipment	–	68
Trade and other receivables**	5 272	–
Cash and cash equivalents	8 621	5 591
Deferred tax	–	28
Assets	399 286	5 687
Borrowings	(260 481)	–
Trade and other payables	(10 785)	(685)
Tax payable	–	(4 940)
Liabilities	(271 266)	(5 625)
Fair value of assets and liabilities acquired	128 020	62
Total purchase consideration	227 182	145 000
Goodwill	99 162***	144 938*
Purchase consideration:	227 182	145 000
Add: acquisition related costs	9 356	950
Less: settled in Tower shares	–	(72 500)
Purchase consideration settled in cash	236 538	73 450
Cash and cash equivalents in subsidiary acquired	(8 621)	(5 591)
Net cash outflow on acquisition	227 917	67 859

* The goodwill arising from the TAM acquisition is attributable to the at-market component of the asset management contract between TAM and Tower Property Fund, the TAM management and employees that transferred to Tower Property Fund and the expected synergies from the acquisition.

** Gross contractual amounts receivable in Sub Dubrovnik are R4.7 million. The total amount of trade and other receivables has been received during the year.

*** The goodwill in Sub Dubrovnik arose as a result of the expected synergies from the acquisition.

	Sub Dubrovnik 2017 R'000	Tower Asset Managers 2017 R'000
Revenue of subsidiaries included in the consolidated statement of comprehensive income	**30 240**	13 719
Profit of subsidiaries included in the consolidated statement of comprehensive income	**107 488**	5 128

	2017 R'000	2016 R'000
Group revenue if the subsidiaries were acquired at the beginning of the annual reporting period	**450 322**	–
Group profit if the subsidiaries were acquired at the beginning of the annual reporting period	**469 355**	–

	Audited 12 months ended 31 May 2017 R'000	Audited 12 months ended 31 May 2016 R'000
3) Related party transactions included:		
Asset management fees paid to Tower Asset Managers Proprietary Limited	**1 508**	18 924
Property management fees paid to Spire Property Management Proprietary Limited	**18 667**	20 047
Relationship: Key management personnel services entities		
4) Net property operating expenses		
Insurance	**1 631**	1 507
Letting commission	**5 403**	3 682
Municipal expenses	**99 936**	96 877
Other operating expenses	**15 315**	9 450
Property management fees	**16 226**	16 239
Repairs and maintenance	**6 482**	7 257
Security and cleaning	**17 453**	14 518
Gross property expenses	**162 446**	149 530
Operating expense recoveries	**(128 187)**	(118 797)
Net property operating expenses	**34 259**	30 733
5) Property ratios		
Net property expense ratio	**14%**	15%
Gross property expense ratio	**29%**	32%
Rental reversions: retail	**7%**	7%
Rental reversions: office	**8%**	8%
Rental reversions: industrial	**0%**	7%
Tenant retention ratio	**90%**	94%
Occupancy ratio (July 2017)	**94%**	96%
Trading density growth	**3%**	12%
6) Administration and corporate costs		
Asset management fees	**1 508**	18 924
Salaries	**8 502**	1 097
Professional service fees	**1 771**	1 805
Other	**4 613**	2 120
Total	**16 394**	23 946

7) Other income in the current year relates to the sale of 7 Stirrup Lane and in the prior year to the profit on the sale of Tybalt Place and 73 Hertzog Boulevard.

8) Goodwill of R3 million has been impaired during the year. R145 million goodwill was raised on the acquisition of TAM. The goodwill is allocated on a pro rata basis to the properties which were held by the fund when TAM was internalised. As two of these properties, namely 73 Hertzog Boulevard and 7 Stirrup Lane, were disposed of, the goodwill allocated to them amounting to R3 million was derecognised.

Correction of error – Goodwill

Goodwill to the amount of R99.2 million was erroneously impaired at the interim period 30 November 2016. The recoverable amount of the cash generating units continuously exceeds the carrying amount and no impairment was recognised at the time. The error has been corrected in the annual financial statements. This adjustment affected earnings per share, but does not affect headline or distributable earnings.

9) The foreign exchange gain/(loss) relates to the foreign denominated loan that was granted by Standard Bank to the fund for the acquisition of the VMD KVART building and the Agrokor portfolio.

10) Non-controlling interests relates to the VMD Grupa d.o.o. 20% holding in Tower Europe d.o.o.

11) Contracted adjustment relates to untenanted properties under development during the period.

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