Distribution paid of R275 million

Distribution growth of 5%

Establishment of TPF International

Signing of back up lease with Spar to secure Konzum lease

Vacancies reduced to 5%

Tower Property Fund Limited

Summarised audited consolidated annual results for the year ended 31 May 2018

PROFILE

Tower is an internally managed real estate investment trust (REIT) which owns a diversified portfolio of 46 convenience retail, industrial and office properties valued at R4.9 billion, located in South Africa and Croatia. The South African portfolio is located in the country's major metropoles with 43% by value in Cape Town, 43% in Gauteng and 14% in KwaZulu-Natal. The five Croatian properties represent 28% of the fund's total value. The fund currently has a sectoral spread by value of 46% convenience retail, 47% office and 7% industrial.

The objective of the fund is to deliver attractive, growing, total returns by (i) investing in properties in strong nodes with growth potential; (ii) active property asset management of our existing portfolio, with a particular focus on unlocking available profits; (iii) selling non-core and ex-growth properties to realise capital for re-investment; and (iv) cost containment, with a focus on "greening" initiatives.

FINANCIAL PERFORMANCE

The South African economy has been under significant pressure over the past year, which has resulted in a volatile trading environment. Consumer and business sentiment improved in early 2018 with the election of President Ramaphosa, however, the results of a calamitous 2017 are still being felt with -2.2% GDP growth being recorded for the second quarter of 2018. Tower has not been immune to these challenges. Vacancies in the portfolio reached a high of 12% in January 2018, however, these have been well contained through pro-active property management, with some excellent tenancies secured of late. As a result of these efforts, vacancies reduced to 5% at year-end but, in order to secure new tenancies, Tower has had to offer lower than anticipated rentals and longer beneficial occupation periods – a clear sign of the times. This is particularly evident in Gauteng, with our Cape Town properties, on average, achieving strong rental growth.

Revenue decreased by 7% to R416 million as a result of certain, non-core properties being sold. Similarly, operating profit decreased by 18% to R377 million, as a result of properties being sold as well as the reduction in the unrealised gains compared to the prior period due to the strengthening of the Rand. Distributable earnings for the period totalled R265 million. Distributions grew by 5% to R275 million for the year, compared to 31 May 2017, slightly lower than the guidance of 6%. This is reasonable given the rental "headwinds" experienced recently. The pressures on securing tenancies was partially offset by "tailwinds", including receipt of a portion of Agrokor arrears rentals, rates credits received at certain properties and tenant penalties paid for early lease terminations.

SUCCESSES IN A DIFFICULT MARKET

Tower's strategy of extracting maximum value from its portfolio by, adding additional lettable areas, refurbishing the properties to attract higher rentals and amending the usage where appropriate, is starting to bear fruit.

This is evident with the Cape Quarter Precinct, one of the flagship properties, where new lettable area, additional parking and new residential apartments have been added. This has resulted in the net value of the precinct increasing from circa R650 million in 2013 when the properties were purchased, to approximately R1 billion as at end May 2018. This equates to a total return of 15.6% per annum.

Other examples of the success of this strategy include Sunclare Office Building in Claremont where the valuation has increased from R193 million in 2015 to R277 million as at 31 May 2018 (total return of 26.2% per annum). The De Ville Shopping Centre's total return per annum is 15.4% where the property is valued at R246 million in May 2018 (up from the purchase price in 2014 of R226 million).

However, most asset management interventions that drive value in a property (and ultimately sustainable income) result in properties experiencing a "J-curve", where rentals decrease in the short-term, sometimes significantly, before increasing sustainability in the long-term. As a result, the fund can only take full advantage of the value creating opportunities in its portfolio, if it has sufficient balance sheet capacity to fund these interventions, and has the appetite to absorb short-term declines in rental income (and the resultant impact of these reductions on distributions).

In KwaZulu-Natal, Link Hills Shopping Centre is at the start of its "J-curve" journey and we anticipate exciting changes in the future. Office properties in Johannesburg undergoing refurbishments include 382 Jan Smuts Avenue, which has had a stubborn vacancy for some time.

CROATIA

Tower's Croatian portfolio is performing well with increasing rentals in the office property, VMD Block B. As announced on SENS, on 7 February 2018, Tower secured a very important back-up lease to its anchor retail tenant, Konzum d.o.o. The back-up lease agreement with Spar Hrvatska d.o.o. adds to the security of the retail portfolio and demonstrates the demand for the Croatian properties. Through significant effort and negotiation, Konzum is up to date with its current rental payments and is committed to continuing with their twelve-year head leases of our properties. Tower agreed to reduce the rental at its Vukovarska property by 20% from 1 June 2018 as this had grown in excess of market rentals. This has resulted in a 20% reduction in the 31 May 2018 Vukovarska valuation. An amount of HRK 1 million (R2 million) has been paid towards the rental arrears of HRK 5.2 million (R10.4 million) of Konzum for the period prior to 9 April 2017 (the date Agrokor d.d. (Agrokor), the holding company of the retailer was placed under administration). The balance of Agrokor's arrears pre-9 April 2017 have been recognised by the administrator of Agrokor and will be settled along with other pre-creditors. The method and quantum of that settlement is unknown at this stage.

As previously announced, the strategic intention of "ring fencing" the Croatian properties, to allow for growth and the strengthening of Tower's balance sheet, has occurred and TPF International Limited (TPF International) has been established in Mauritius for this purpose. Tower announced on 1 March 2018 that Oryx Properties Limited (Oryx), a Namibian property fund, would be purchasing and subscribing for shares in TPF International resulting in Tower realising R300 million. Tower will utilise R100 million to re-invest in TPF International, R120 million to reduce Euro debt with Standard Bank and re-invest the balance in South Africa. Tower is confident in its Croatian strategy and while the income growth from the properties is low relative to South Africa, debt funding is also lower and we do believe it offers a secure Rand hedge with capital growth upside.

PROGRESS ON VALUE ADD OPPORTUNITIES

As announced in the November 2016 interim results, Tower anticipates generating proceeds from certain asset management initiatives in the portfolio in the short to medium term. Management is pleased to report progress as follows:

- R300 million from Oryx for the investment in TPF International (July 2018)
- Approximately R25 million expected from Napier Street profits for residential sales (expected November 2018)

Other projects, including the addition of 54 residential apartments to Cape Quarter Piazza (to be renamed "Old Cape Quarter"), are underway.

Although not impacting directly on the fund's distributable earnings, generating proceeds from our existing portfolio, for re-investment into new growth opportunities or balance sheet management, is core to our objective of delivering attractive total growing returns to shareholders, and is likely to be a consistent feature of the portfolio for some time to come.

SALE OF NON-CORE PROPERTIES

The following properties were sold in the period:

- Shoprite Brits, Gauteng : R91 million;
- Arrowfield Industrial, KwaZulu-Natal: R6.5 million;
- 19 Section Street, Cape Town: R26.8 million; and
- Nampak Industrial, KwaZulu-Natal: R27 million (transfer post year-end).

The proceeds generated from the sales will be used to reduce gearing and re-invest in the company. There are nine properties which are classified as held for sale at year-end. Four of these properties were classified as held for sale at 31 May 2017.

Management expects these properties to be sold in the next twelve months. These properties are still being actively marketed.

OPERATING PERFORMANCE

Portfolio vacancies have decreased to 5% as at 31 May 2018 (5.8% in South Africa). South African vacancies are further broken down by 2.6% office, 1.2% retail and 1.2% industrial. A total of 98 842m² was let during the period. 46 685m² relates to tenant renewals while the balance of 52 157m² relates to new leases.

Letting success has been achieved on some of Tower's larger vacancies. At Tower's Isando industrial property, following the expiry of a substantial lease, Tower carried a 5 500m² industrial vacancy for approximately eight months. We were, however, fortunate to be able to structure a lease renewal with one of our tenants on its existing space as well as the entire vacancy, leasing a total of 10 800m² for a five-year period. Rentals in the Isando area are under severe pressure due to the vacancies in the area, however, this property has shown steady capital growth of approximately 10% per annum since acquisition. Following the successful letting, the property has undergone a refreshing revamp and is fully let.

The large Meadowbrook vacancy of 13 000m² (Tower's largest industrial property), has been let to Globeflight Worldwide Express for an initial 10 year period. The distribution centre and office block have undergone a considerable upgrade and has been fully refurbished through the combined efforts of Tower and the tenant.

The new lease has resulted in a year-on-year increase in value of approximately 37%.

There are currently 7% vacancies in the Croatian portfolio line shops, however, those are guaranteed by the head leases on the properties.

The weighted average lease expiry of the fund is 4.3 years with the South African portfolio at 2.9 years.

BORROWINGS

Tower has loan facilities totalling R2.0 billion at 31 May 2018 (ZAR debt 37%, Euro debt 63%). Interest rates are hedged on 71% of the total loan facility (ZAR debt 69%, Euro debt 73%) and the weighted average rate of interest is 5.78% (ZAR debt 9.07%, Euro debt 3.88%) for the portfolio. Based on investment properties valued at R4.9 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.

A strategic intention of the company is to reduce its Standard Bank Euro loans which are secured over Tower's South African properties. This will strengthen the company's balance sheet which is a key priority for the company in order to position Tower to take full advantage of the growth potential in the portfolio. Where possible, the company will look to achieve this with capital generated from its value add opportunities currently underway and from the sale of certain properties.

Currently all Tower's Croatian Euro loans are amortising. Euro 14.4 million of this debt is in the process of being refinanced on an interest only basis at 145 basis points lower than the current interest rate. This refinancing should be concluded shortly.

PROSPECTS

Tower's objective has always been to focus on the growth of sustainable income derived from growing and secure tenant leases coupled with capital investment into the property portfolio. Tower intends to increase this focus in future.

Management will continue to deploy capital to areas which deliver the highest, sustainable income in the long-term. A minimum targeted return will continue to be used as a benchmark when considering all investment activities of the fund including new investments, asset management initiatives and possible share repurchases. Tower will place renewed focus on prudent balance sheet management, including reducing its Standard Bank Euro loans, in order to manage risk and create capacity to unlock the inherent value in its portfolio. We will also actively consider recycling of assets where Tower has already successfully unlocked value – such that assets trade on yields better than Tower's cost of capital - in order to fund investments in assets where there is still growth to be unlocked, while strengthening our balance sheet and, hopefully, closing the gap between our net asset value per share and our traded price per share.

In order to generate truly sustainable income, short-term variations in income will be accepted if they can be shown to add demonstrable sustainable value to the property portfolio and the fund. Management remains confident that over time this focus and discipline, together with value add opportunities within our portfolio, will be recognised by the market, to the benefit of shareholders.

It is challenging to provide distribution growth in the current market. Conditions change rapidly in the macro environment making forward predictions not only challenging but potentially damaging to both shareholders and management.

Property net income is simpler to predict, however there are still unexpected fluctuations as we have experienced in the cost of filling recent vacancies. Management does expect property net income in South Africa to remain under pressure in the short-term resulting in flat to low growth. The Croatian portfolio is expected to perform well given the growth in the Croatian economy however the rental reduction at Vukovarska will reduce the net income for the forecast year, meaning property income growth across the combined portfolio is anticipated to be flat. These property net income forecasts (which have not been reviewed or reported on by the Tower's auditors) assume a stable portfolio with no major tenant failures and no macro-economic surprises. Factors which could influence these forecasts, and/or their impact on Tower's distributions, include the settlement of Euro debt, the benefit of refinancing Euro debt, exchange rate movements, value and timing of the sale of non-core properties, management's ability to unlock capital value from refurbishments (including in particular the Cape Quarter residential development), the timing of the Euro debt refinancing and the reinvestment of proceeds from asset management activities. All forecasts made are unaudited.

BASIS OF PREPARATION

The summarised results of the audited consolidated annual financial statements (summarised results) for the year ended 31 May 2018, 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. The results comply with the JSE Listings Requirements and the Companies Act, 71 of 2008, of South Africa (Companies Act). The accounting policies and methods of computation applied in the preparation of the summarised results are consistent with those applied in the audited annual financial statements for the year ended 31 May 2017.

Mazars, the group's independent auditor, has audited the consolidated annual financial statements of Tower for the year ended 31 May 2018, 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 2018, 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. The auditor's report does not necessarily report on all information contained in these results. 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 of the company.

These summarised 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 2018, 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 2018. The directors are not aware of any matters or circumstances arising subsequent to 31 May 2018 that require any additional disclosure or adjustment to the financial statements, other than as disclosed in this announcement.

Fair value measurement of investment property recognised in the statement of financial position

Valuations of all properties were performed by either the directors or independent valuer, and have resulted in a net upward re-valuation adjustment of R33.3 million (2017: R123.9 million). Independent external valuations are carried out on a rotational basis to ensure each property is valued independently at least every three years. Conservative valuation assumptions have been applied to take account of weakening market conditions. The valuations are based either on the discounted cash flow method or the capitalisation rate of net income method or a combination of these methods, which is consistent with the basis used in prior years.

The fair value measurement for investment property has been categorised as a level 3 fair value based on the inputs to the valuation technique used.

Significant unobservable inputs used were as follows:

- A capitalisation rate, ranging between 7.25% and 10.5% (2017: 7.25% and 10.75%) has been used; and
- The discount rate applied range between 13.5% and 15.5% (2017: 13.5% and 14.75%)

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 7.53%, expiring on 30 September 2020. The fair value of the swap at 31 May 2018 was –R5.1 million. The company has entered into the following Euro denominated swaps:

	Notional amount (Euro '000)	Fair Value 31 May 2018 (Euro '000)
Contract 1: 4.10% maturing 3 August 2020	7 000	(1 495)
Contract 2: 3.70% maturing 18 March 2021	2 540	(180)
Contract 3: 3.60% maturing 21 June 2021	30 514	(351)
Contract 4: 3.75% maturing 13 January 2022	13 199	(530)

Adjustments to the statement of cash flows

In the statement of cash flows, the "Investment property acquired" on 31 May 2017 has been reduced by R641 865 000 and the "Acquisition of Sub Dubrovnik" has been reduced by R227 917 000 to the extent that it has been financed through loans. "Local loans raised" were reduced on 31 May 2017 by R51 949 000 and "Foreign loans raised" were reduced on 31 May 2017 by R817 833 000.

"Proceeds on sale of investment property" were reduced by R104 600 000 at 31 May 2017 to the extent that the proceeds were paid directly to the bank for repayment of loans. "Local loans raised" were reduced by the same amount.

The transactions have no cash flow effect and were removed from the statement of cash flows in correction. This restatement does not impact the other statements presented. Further details relating to this restatement will be included in the annual report.

DIVIDEND DISTRIBUTION

Notice is hereby given that a gross cash dividend of 40.26231 cents per share (dividend number 10) has been declared from income reserves in respect of the year ended 31 May 2018. 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, 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. The dividends withholding tax rate is 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 32.20985 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:

	2018
Last day to trade cum dividend distribution:	Tuesday, 21 August
Shares trade ex dividend distribution:	Wednesday, 22 August
Record date:	Friday, 24 August
Payment date:	Monday, 27 August

Share certificates may not be dematerialised or rematerialised between Wednesday, 22 August 2018 and Friday, 24 August 2018, both days inclusive.

The dividend will be transferred to dematerialised shareholders' CSDP accounts or broker accounts on Monday, 27 August 2018.

Certificated shareholders' dividend payments will be paid to certificated shareholders' bank accounts on or about Monday, 27 August 2018.

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

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

NOTICE OF ANNUAL GENERAL MEETING

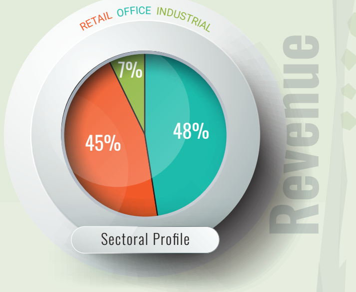
17 October 2018	The annual general meeting will be held on Wednesday, at 10:00 at the Belmont Conference Centre, Belmont Road, Rondebosch, Cape Town, 7700.
9 October 2018	The last day to trade to participate in and vote at the annual general meeting is Tuesday.
12 October 2018	The record date to participate in and vote at the annual general meeting is Friday.

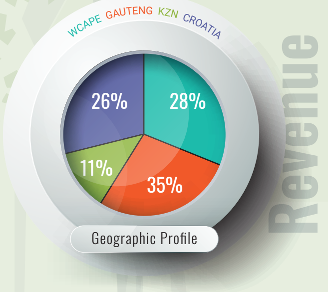
By order of the Board
Tower Property Fund Limited
31 July 2018

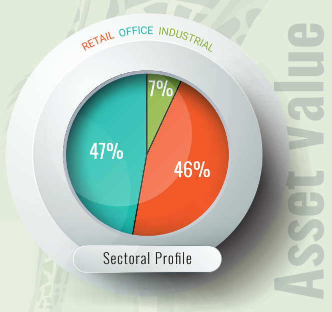
Tower Property Fund Limited
Incorporated in the Republic of South Africa
Registration number: 2012/066457/06
JSE share code: TWR
ISIN: ZAE000179040
(Approved as a REIT by the JSE)
("Tower" or the "group" or the "fund")

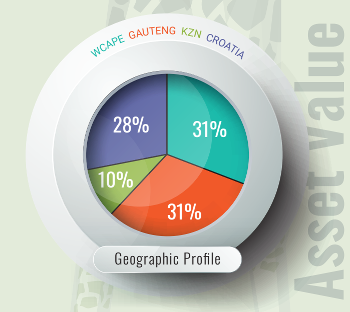
Registered address	2nd Floor, Spire House, Tannery Park, 23 Belmont Road, Rondebosch, 7700 (PO Box 155, Rondebosch, 7701)
Contact details	+27 (0)21 685 4020/info@towerpropertyfund.co.za
Company secretary	Ovland Management Services Proprietary Limited
Auditors	Mazars
Sponsor	Java Capital
Transfer secretaries	Link Market Services South Africa Proprietary Limited
Directors	A Dalling* (chairman), M Edwards (chief executive officer) J Bester*, M Evans*, J Mabin (chief financial officer), A Magwentshu*, N Milne*, R Naidoo*

* *Non-executive*









Consolidated statement of profit and loss and comprehensive income

		Audited 12 months ended 31 May 2018 R'000	Audited 12 months ended 31 May 2017 R'000
REVENUE			
Contractual rental income		**411 827**	437 041
Straight-line lease accrual		**4 593**	10 300
		416 420	447 341
Net property operating expenses	3	**(17 385)**	(34 259)
NET PROPERTY INCOME		**399 035**	413 082
Administration expenses	5	**(18 074)**	(16 394)
(Loss)/profit on disposal on investment property	6	**(1 671)**	533
Disposal of goodwill	7	**(3 468)**	(3 006)
Foreign exchange gain	8	**937**	63 874
NET OPERATING PROFIT		**376 759**	458 089
Fair value gains on investment properties		**206 275**	123 993
Fair value losses on investment properties		**(172 955)**	–
Fair value adjustments on interest rate derivatives		**1 653**	(12 449)
Profit from operations		**411 732**	569 633
Finance income		**4 314**	3 340
Finance costs		**(120 050)**	(127 899)
Indirect capital raising expenses		**–**	(557)
PROFIT BEFORE TAXATION		**295 996**	444 517
Taxation		**–**	–
PROFIT FOR THE PERIOD		**295 996**	444 517
Other comprehensive income - items that may subsequently be reclassified to profit and loss			
Exchange difference on foreign operations		**1 499**	(54 119)
TOTAL COMPREHENSIVE PROFIT FOR THE PERIOD		**297 495**	390 398
Profit for the period attributable to:			
Equity shareholders of Tower Property Fund Limited		**293 429**	437 103
Non-controlling interest	9	**2 567**	7 414
		295 996	444 517
Total comprehensive income attributable to:			
Equity shareholders of Tower Property Fund Limited		**294 815**	385 999
Non-controlling interest	9	**2 680**	4 399
		297 495	390 398
Basic and diluted earnings per share (weighted average shares in issue) (cents)		**86.4**	129.8

Consolidated statement of financial position

		Audited 12 months ended 31 May 2018 R'000	Audited 12 months ended 31 May 2017 R'000
ASSETS			
Non-current assets			
Investment property		**4 378 361**	4 395 194
Straight-line lease accrual		**60 741**	54 505
Property, plant and equipment		**193**	198
Goodwill		**237 626**	241 094
		4 676 921	4 690 991
CURRENT ASSETS			
Inventories		**35 150**	12 495
Trade and other receivables	10	**104 776**	117 194
Cash and cash equivalents		**92 775**	58 945
		232 701	188 634
Investment property held for sale		**504 596**	518 626
		737 297	707 260
TOTAL ASSETS		**5 414 218**	5 398 251
Equity and liabilities			
Equity			
Stated capital		**3 035 344**	3 039 980
Treasury capital		**–**	(4 636)
Foreign currency translation reserve		**(7 769)**	(9 155)
Retained income		**260 933**	237 031
Shareholders' interest		**3 288 508**	3 263 220
Non-controlling interest	9	**27 307**	24 627
Total equity		**3 315 815**	3 287 847
LIABILITIES			
Non-current liabilities			
Other financial liabilities		**1 361 688**	1 731 466
Loan payable to shareholder		**23 250**	24 369
		1 384 938	1 755 835
Current liabilities			
Other financial liabilities		**653 168**	279 441
Trade and other payables		**60 297**	75 128
		713 465	354 569
Total equity and liabilities		**5 414 218**	5 398 251

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 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**
Cancellation of treasury shares	(4 636)	4 636	–	–	–	–	**–**
Profit for the year	–	–	–	293 429	293 429	2 567	**295 996**
Foreign currency translation differences	–	–	1 386	–	1 386	113	**1 499**
Dividends paid	–	–	–	(269 527)	(269 527)	–	**(269 527)**
Balance at 31 May 2018	3 035 344	–	(7 769)	260 933	3 288 508	27 307	**3 315 815**

Segmental analysis

	South Africa				Croatia			
For the year ended 31 May 2018 (R'000)	Retail	Office	Industrial	Total	Retail	Office	Total	**Grand Total**
Property assets*	1 338 536	1 910 688	351 763	3 600 987	969 861	408 193	1 378 054	**4 979 041***
Segment liabilities**	587 104	880 973	155 442	1 623 519	325 080	125 777	450 857	**2 074 376****
Fair value adjustment to investment properties	(707)	66 430	12 119	77 842	(42 964)	(1 558)	(44 522)	**33 320**
Straight-line lease accrual	31 500	27 151	2 090	60 741	–	–	–	**60 741**
Revenue (excluding straight-line lease adjustments)	110 587	165 247	29 539	305 373	75 691	30 763	106 454	**411 827**
Net operating costs	(3 620)	(8 676)	(4 116)	(16 412)	–	(973)	(973)	**(17 385)**
Segment profit	106 967	156 571	25 423	288 961	75 691	29 790	105 481	**394 442**
Straight-line lease adjustment								**4 593**
Non property related expenses								**(18 074)**
Other income								**(1 671)**
Disposal of goodwill	(2 607)	–	(861)	(3 468)	–	–	–	**(3 468)**
Foreign exchange gain/(loss)								**937**
Net operating profit								**376 759**
For the year ended 31 May 2017 (R'000)								
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**
Disposal of goodwill	–	(3 006)	–	(3 006)	–	–	–	**(3 006)**
Foreign exchange gain/(loss)								**63 874**
Net operating profit								**458 089**

Consolidated statement of cash flows

	Audited 12 months ended 31 May 2018 R'000	Audited 12 months ended 31 May 2017 R'000
CASH GENERATED FROM OPERATIONS	**354 184**	348 421
Finance income	**4 314**	3 340
Finance costs	**(116 485)**	(127 035)
Net cash from operating activities	**242 013**	224 726
Cost capitalised to investment property	**(55 269)**	(56 522)
Property, plant and equipment acquired	**(77)**	(255)
Acquisition of management company	**–**	(67 859)
Proceeds on sale of investment property*	**13 615**	11 200
Net cash from investing activities	**(41 731)**	(113 436)
Proceeds from issue of shares	**–**	812 895
Capital raising expenses	**–**	(15 936)
Acquisition of treasury shares	**–**	(1 782)
Local loans raised*	**322 250**	153 930
Local loans repaid*	**(185 021)**	(745 572)
Foreign loans repaid	**(33 215)**	(25 436)
Non-controlling interest loan repayment	**(1 077)**	(6 551)
Dividends paid	**(269 527)**	(285 539)
Net cash from financing activities	**(166 590)**	(113 991)
Net movement in cash and cash equivalents	**33 692**	(2 701)
Cash and cash equivalents at beginning of period	**58 945**	63 620
Foreign exchange differences on cash balances	**138**	(1 974)
Cash and cash equivalents at end of period	**92 775**	58 945

** Prior period results have been restated. Refer to the adjustments in statement of cash flows note.*

Reconciliation of earnings and headline earnings

	Audited 12 months ended 31 May 2018 Gross	Audited 12 months ended 31 May 2018 Net	Audited 12 months ended 31 May 2017
PROFIT ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS		**293 429**	437 103
Adjusted for:			
Change in fair value of investment properties net of non-controlling interests	**(33 320)**	**(33 631)**	(119 354)
Disposal of goodwill	**3 468**	**3 468**	3 006
Loss/(profit) on disposal on investment property	**1 671**	**1 671**	(533)
Headline earnings		**264 937**	320 222
Weighted average number of shares in issue		**339 549 647**	336 764 696
Headline and diluted headline earnings per share (weighted average shares in issue) (cents)		**78.0**	95.1

Notes:

	Audited 12 months ended 31 May 2018 R'000	Audited 12 months ended 31 May 2017 R'000
1) Segmental analysis		
Investment property	**4 378 361**	4 395 194
Straight-line lease accrual	**60 741**	54 505
Property, plant and equipment	**193**	198
Inventories	**35 150**	12 495
Investment property held for sale	**504 596**	518 626
* Property assets	**4 979 041**	4 981 018
** Segment liabilities	**2 074 376**	2 085 526
Non-segment liabilities		
- Trade and other payables	**777**	509
- Loan to non-controlling interests	**23 250**	24 369
Total liabilities	**2 098 403**	2 110 404

Reconciliation of headline earnings in distributable earnings

		Audited 12 months ended 31 May 2018 Gross	Audited 12 months ended 31 May 2018 Net	Audited 12 months ended 31 May 2017
Headline Earnings			**264 937**	320 222
Adjusted for:				
Straight-line lease accrual			**(4 593)**	(10 300)
Antecedent dividends			**–**	3 923
Change in fair value of interest rate derivatives			**(1 653)**	12 449
Distributable profit			**258 691**	326 294
Adjusted for:				
Indirect capital raising expenses			**–**	557
Foreign exchange (gain)/loss		(937)	**2 292**	(61 812)
Contracted adjustment			**–**	3 798
Konzum arrears	10		**1 959**	(10 286)
Amortisation of debt raising fees			**2 313**	3 171
Distributable earnings			**265 255**	261 722
Development income lost	11		**9 657**	–
Distribution paid			**274 912**	261 722
Distributable income			**274 912**	261 722
Taxable dividend (declared on 31 July 2018)			**136 711**	–
Taxable dividend (declared on 13 February 2018)			**138 201**	–
Taxable dividend (declared on 4 August 2017)			**–**	131 326
Taxable dividend (declared on 31 January 2017)			**–**	130 396
Number of shares in issue at year end (including treasury shares)			**339 549 647**	340 100 686
Number of shares in issue at year end (excluding treasury shares)			**339 549 647**	339 549 647
Distribution per share			**81.0**	77.1
Six months ended 31 May			**40.3**	38.7
Six months ended 30 November			**40.7**	38.4
Distributable earnings per share (weighted average shares in issue) (cents)			**78.1**	77.7
Net asset value per share (shares in issue at period end) (cents)			**968**	961
2) Related party transactions included:				
Asset management fees paid to Tower Asset Managers Proprietary Limited (R'000)			**–**	1 508
Property management fees paid to Spire Property Management Proprietary Limited (R'000)			**19 002**	18 667
Relationship: Key management personnel services entities				
3) Net property operating expenses				
Insurance			**1 666**	1 631
Letting commission			**6 804**	5 403
Municipal expenses			**93 831**	99 936
Other operating expenses			**7 784**	15 315
Property management fees			**13 958**	16 226
Repairs and maintenance			**6 485**	6 482
Security and cleaning			**19 955**	17 453
Gross property expenses			**150 483**	162 446
Operating expense recoveries			**(133 098)**	(128 187)
Net property operating expenses	12		**17 385**	34 259
Net property operating expenses decreased from the prior year as a result of several properties being sold during the period as well as greening initiatives undertaken at several properties.				
4) Property ratios				
Net property expense ratio			**14%**	14%
Gross property expense ratio			**28%**	29%
Rental reversions: retail			**8%**	7%
Rental reversions: office			**2%**	8%
Rental reversions: industrial			**6%**	0%
Tenant retention ratio			**90%**	90%
Occupancy ratio			**95%**	94%
Trading density growth			**3%**	3%
5) Administration and corporate costs				
Asset management fees			**–**	1 508
Salaries			**9 830**	8 502
Professional service fees			**2 607**	1 771
Other			**5 637**	4 613
Total			**18 074**	16 394

6) (Loss)/profit on disposal of investment property in the current year relates to the sales of Shoprite Brits, Arrowfield and 19 Section Street.

7) Goodwill of R3 million has been disposed 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 the asset management company, Tower Asset Managers Proprietary Limited was internalised. As three of these properties, namely Shoprite Brits, Arrowfield and 19 Section Street, were disposed of, the goodwill allocated to them was derecognised.

8) 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.

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

10) Trade and other receivables has reduced by 11% compared to the prior year, predominately as a result of the receipt of outstanding post – 9 April 2017 Konzum arrears in the current year.
Pre-9 April 2017 Konzum arrears of R2 million were received during the period. This amount was previously included in the rental arrears of Konzum (R10.4 million) prior to the date the company was placed under administration. These arrears were deducted from the distributable income for the year ended 31 May 2017.

11) Development income lost relates to untenanted properties under development during the period.

12) Net property operating expenses have decreased as a result of the properties being sold during the year and the increase in operating expense recoveries. Operating expense recoveries are being billed separate of gross rentals for all new leases and lease renewals.

13) Subsequent events
During the 2018 financial year, Tower initiated a process to ring fence its Croatian properties through a separate offshore company, TPF International (a subsidiary of Tower, incorporated and registered in Mauritius). During the year, Tower signed an irrevocable undertaking with Oryx, a property loan stock company that is listed on the Namibian Stock Exchange. In terms of the undertaking, Oryx would invest R300 million in TPF International.
The R300 million investment would be made as follows:
- Oryx would acquire TPF International shares from Tower for R200 million (hereafter "the share sale") and;
- The remaining R100 million would be used for the subsequent subscription of further shares in TPF International (hereafter "the share subscription").

The share sale closed on 16 July 2018. Tower used R120 million to reduce Standard Bank Euro debt and has placed the remaining R80 million in access facilities.
The proceeds from the share subscription will be used by TPF International to fund attractive acquisitions.
Subsequent to the share sale and the share subscription, it is anticipated that Oryx will own 26% of the issued share capital of TPF International.