

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 "company")



ACQUISITION OF SHOPRITE BRITS, SHOPRITE ENNERDALE AND SHOPRITE MODIMOLLE

Introduction

Shareholders are advised that Tower has concluded agreements for the acquisition of the entire issued share capital of and claims against each of:

- Cross Atlantic Properties 162 Proprietary Limited ("**Cross Atlantic**"), which owns Shoprite Brits, from Milton Weinberg, the Jonathan Levitt Family Trust, Lara Weinberg, Saul Sackstein and Daniel Sackstein (the "**Brits sellers**"), for an aggregate purchase consideration of R48 815 627 (the "**Brits acquisition**");
- Lexshell 492 Investments Proprietary Limited ("**Lexshell**"), which owns Shoprite Ennerdale, from Milton Weinberg, the Jonathan Levitt Family Trust, Jon Chaitowitz and Brent Benjamin (the "**Ennerdale sellers**"), for an aggregate purchase consideration of R38 036 711 (the "**Ennerdale acquisition**"); and
- Plenty Properties 118 Proprietary Limited ("**Plenty Properties**"), which owns Shoprite Modimolle, from Milton Weinberg, the Jonathan Levitt Family Trust, Lara Weinberg, Saul Sackstein and Daniel Sackstein (the "**Modimolle sellers**"), for an aggregate purchase consideration of R40 656 515 (the "**Modimolle acquisition**"),

(collectively the "**acquisitions**").

The properties acquired by Tower are non-metropolitan shopping and community centres servicing the lower living standards measurement markets, situated in high growth nodes, close to commuter networks, which have healthy lease expiry profiles and strong national tenant profiles. The acquisitions will increase Tower's exposure to the retail sector in desirable trading locations which will provide Tower with a good quality source of income.

Terms of the Brits acquisition

The effective date of the Brits acquisition is 1 December 2014 (the "**effective date**"). The purchase consideration for the Brits acquisition will be settled in cash as to R6 037 806 and the balance by the allotment and issue of 4 700 860 Tower shares (the "**Brits consideration shares**"). The issue price of the Brits consideration shares will be the greater of R9.10 and the last available volume weighted average traded price per Tower share for the 30 day period immediately preceding the closing date. The closing date is stipulated as being the later of:

- 1 December 2014;
- the date of registration by Tower of a new first mortgage bond over the relevant property;
- the first business day after the day on which the last of the conditions precedent referred to below is fulfilled or waived.

The Brits consideration shares will not participate in Tower's interim distribution for the six months ended 30 November 2014. Insofar as the Brits consideration shares are issued before the record date for receipt of such distribution, the Brits sellers will repay the amount of such distribution to Tower.

Insofar as the current assets exceed the current liabilities of Cross Atlantic as at the effective date, Tower will pay the Brits sellers the amount of such excess in cash. Conversely, if the current liabilities exceed the current assets of Cross Atlantic as at the effective date, the Brits sellers will pay Tower the amount of such excess in cash.

The agreement includes undertakings, warranties and indemnities which are normal for an acquisition of this nature.

The Brits acquisition remains conditional upon:

- approval by the Takeover Regulation Panel, if applicable; and

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- Tower providing the Brits sellers with guarantees for payment of:
 - R36 740 016, owed by Cross Atlantic to Investec Bank Limited (“**Investec**”), plus interest thereon from 1 December 2014 to the date of payment under the guarantee; and
 - the cash portion of the purchase consideration for the Brits acquisition, less any interest paid under the guarantee to Investec above.

Terms of the Ennerdale acquisition

The effective date of the Ennerdale acquisition is 1 December 2014 (the “**effective date**”). The purchase consideration for the Ennerdale acquisition will be settled in cash as to R2 348 668 and the balance by the allotment and issue of 3 921 763 Tower shares (the “**Ennerdale consideration shares**”). The issue price of the Ennerdale consideration shares will be the greater of R9.10 and the last available volume weighted average traded price per Tower share for the 30 day period immediately preceding the closing date. The closing date is stipulated as being the later of:

- 1 December 2014;
- the date of registration by Tower of a new first mortgage bond over the relevant property;
- the first business day after the day on which the last of the conditions precedent referred to below is fulfilled or waived.

The Ennerdale consideration shares will not participate in Tower’s interim distribution for the six months ended 30 November 2014. Insofar as the Ennerdale consideration shares are issued before the record date for receipt of such distribution, the Ennerdale sellers will repay the amount of such distribution to Tower.

Insofar as the current assets exceed the current liabilities of Lexshell as at the effective date, Tower will pay the Ennerdale sellers the amount of such excess in cash. Conversely, if the current liabilities exceed the current assets of Lexshell as at the effective date, the Ennerdale sellers will pay Tower the amount of such excess in cash.

The agreement includes undertakings, warranties and indemnities which are normal for an acquisition of this nature.

The Ennerdale acquisition remains conditional upon:

- approval by the Takeover Regulation Panel, if applicable; and
- Tower providing the Ennerdale sellers with guarantees for payment of:
 - payment of R33 339 375, owed by Lexshell to Investec, plus interest thereon from 1 December 2014 until the date of payment under the guarantee; and
 - the cash portion of the purchase consideration for the Ennerdale acquisition less any interest paid under the guarantee to Investec above.

Terms of the Modimolle acquisition

The effective date of the Modimolle acquisition is 1 December 2014 (the “**effective date**”). The purchase consideration for the Modimolle acquisition will be settled by the allotment and issue of 4 467 749 Tower shares (the “**Modimolle consideration shares**”). The issue price of the Modimolle consideration shares will be the greater of R9.10 and the last available volume weighted average traded price per Tower share for the 30 day period immediately preceding the closing date. The closing date is stipulated as being the later of:

- 1 December 2014;
- the date of registration by Tower of a new first mortgage bond over the relevant property;
- the first business day after the day on which the last of the conditions precedent referred to below is fulfilled or waived.

The Modimolle consideration shares will not participate in Tower’s interim distribution for the six months ended 30 November 2014. Insofar as the Modimolle consideration shares are issued before the record date for receipt of such distribution, the Modimolle sellers will repay the amount of such distribution to Tower.

Insofar as the current assets exceed the current liabilities of Plenty Properties as at the effective date, Tower will pay the Modimolle sellers the amount of such excess in cash. Conversely, if the current liabilities exceed the current

assets of Plenty Properties as at the effective date, the Modimolle sellers will pay Tower the amount of such excess in cash. Any interest paid to Investec under the guarantee referred to below shall be deducted as a current liability.

The Modimolle sellers have loaned R4 741 180 to Plenty Properties in cash, which amount will form part of the claims against Plenty Properties acquired by Tower pursuant to the Modimolle acquisition.

The agreement includes undertakings, warranties and indemnities which are normal for an acquisition of this nature.

The Modimolle acquisition remains conditional upon:

- approval by the Takeover Regulation Panel, if applicable; and
- Tower providing the Modimolle sellers with a guarantee for payment of R45 397 694 owed by Plenty Properties to Investec, plus interest thereon from 1 December 2014 until the date of payment under the guarantee.

Property specific information

The property specific information required in terms of the JSE Listings Requirements in relation to the properties acquired by Tower including property name and address, geographical location, rentable area and weighted average rental per square metre is set out below.

Property name and address	Shoprite Brits, 50 Pienaar Street, Brits
Sector	Retail
Geographical location	North West Province
Rentable Area (m²)	8 278
Weighted Average rental per m²	R76.7/m ²
Value attributed to the property	R86 896 205
Property name and address	Shoprite Ennerdale, Marais Close, Ennerdale Extension 9
Sector	Retail
Geographical location	Gauteng
Rentable Area (m²)	8 192
Weighted Average rental per m²	R74.0/m ²
Value attributed to the property	R72 511 039
Property name and address	Shoprite Modimolle (Nylstroom), Nelson Mandela Drive, Modimolle
Sector	Retail
Geographical location	Limpopo
Rentable Area (m²)	7 798
Weighted Average rental per m²	R88.3/m ²
Value attributed to the property	R82 592 071

No independent valuations have been carried out and the board of directors of Tower is of the view that the values attributed to the properties above represents the values of the properties acquired.

Categorisation of the acquisitions

As each of the acquisitions has been entered into by Tower with the same parties and their associates, the acquisitions have been aggregated for the purposes of determining the categorisation of the acquisitions, in compliance with the JSE Listings Requirements.

The acquisitions are classified as a Category 2 transaction in terms of the JSE Listings Requirements. Accordingly they are not subject to approval by Tower shareholders.

Financial effects

Set out below are the forecast revenue, net property income, net operating profit and distributable earnings of the acquisitions (“**the forecasts**”) for the six months ending 31 May 2015 and the year ending 31 May 2016 (“**the forecast periods**”). The forecasts have been prepared on the assumption that the acquisitions will be implemented on 31 December 2014 and on the basis that the forecasts include forecast results for the duration of the forecast periods.

The forecasts, including the assumptions on which they are based and the financial information from which they are prepared, are the responsibility of the directors of Tower. The forecasts have not been reviewed or reported on by independent reporting accountants.

The forecasts presented in the table below have been prepared in accordance with Tower's accounting policies and in compliance with IFRS.

	Forecast for the six months ending 31 May 2015 R'000	Forecast for the year ending 31 May 2016 R'000
Contractual rental income	15 383	32 751
Straight-line rental income accrual	1 675	2 438
Revenue	17 058	35 189
Net property income*	12 316	24 896
Net operating profit#	11 720	23 704
Total comprehensive profit for the period^	7 161	14 586
Distributable earnings	5 548	12 273

* Includes the effects of straight-lining rental income

Includes the effects of asset management fees

^ Includes the effects of finance costs

The forecasts incorporate the following material assumptions in respect of revenue and expenses that can be influenced by the directors of Tower:

- The forecasts are based on Shoprite Brits, Shoprite Ennerdale and Shoprite Modimolle only.
- Property operating expenditure has been forecast on a line-by-line basis based on management's review of historical expenditure, where available, and discussion with the existing property manager.
- Contracted revenue is based on existing lease agreements and rental guarantees including stipulated increases, all of which are valid and enforceable.
- Uncontracted revenue amounts to 8.8% of revenue for the six months ending 31 May 2015 and 24.2% of revenue for the year ending 31 May 2016.
- Leases expiring during the forecast periods have been forecast on a lease-by-lease basis, and have been assumed to renew at current market rates unless the lessee has indicated its intention to terminate the lease.
- R119.1 million of the aggregate acquisition cost of R127.5 million is assumed to be settled by issuing 13.1 million Tower shares at an issue price of R9.10 per Tower share, with the balance of R8.4 million settled in cash funded from interest-bearing borrowings which is assumed to incur interest at an effective rate of 7.55% per annum. Acquisition costs of R3.8 million are assumed to be settled in cash.
- The fair value of the buildings are assumed to equate to R242.0 million, the cost of the acquisitions including capitalised costs of acquisition. Accordingly, no fair value adjustment is recognised.

The forecasts incorporate the following material assumptions in respect of revenue and expenses that cannot be influenced by the directors:

- An effective date of acquisition of 1 December 2014.
- In terms of the asset management agreement with Tower Asset Managers Proprietary Limited (the "**asset manager**"), Tower will pay the asset manager a monthly fee equivalent to 1/12th of 0.5% of the aggregate of the market capitalisation and the borrowings of Tower.
- Tower will pay Spire Property Management Proprietary Limited for all property management services a monthly fee equivalent to 3.5% of gross monthly income collected (including VAT).
- There will be no unforeseen economic factors that will affect the lessees' abilities to meet their commitments in terms of existing lease agreements.

Sponsor

JAVACAPITAL

Legal advisor

