

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 INDUSTRIAL PORTFOLIO

Introduction

Shareholders are advised that Tower has concluded an agreement (the “**acquisition agreement**”) for the acquisition of the entire issued share capital of and claims against HTP Holdings Proprietary Limited (“**HTP**”), which owns a portfolio of 8 industrial properties valued at R375 750 000, from HBW Group Proprietary Limited (the “**seller**”) for an aggregate consideration of R190 750 000 (the “**acquisition**”).

The acquisition will provide Tower with its first significant exposure to the industrial property sector, increasing Tower’s industrial portfolio from approximately 0.9% to approximately 12% of its entire property portfolio. The properties are situated in desirable locations in Gauteng and Kwa-Zulu Natal.

The acquisition is yield accretive for Tower and is in line with Tower’s strategy of growing its asset base with well located, diversified properties throughout South Africa. .

Terms of the acquisition

The effective date of the acquisition is 1 April 2015 (the “**effective date**”). The purchase consideration of R190 750 000 will be settled:

- in cash as to R3 750 000;
- in respect of R45 000 000, by way of the allotment and issue of 4 945 054 Tower shares to the seller at an issue price of R9.10 per Tower share; and
- in respect of R142 000 000, by way of the allotment and issue of Tower shares pursuant to a private placement of Tower shares, at an issue price of R9.10 per Tower share, or more (the “**private placement**”). The private placement will be of 15 604 396 Tower shares if placed at the issue price of R9.10 per Tower share. Subject to the condition precedent that the volume weighted average traded price per Tower share in respect of the 10 consecutive calendar days expiring on the date preceding the date on which the approval of the Competition Authorities is obtained equals or exceeds R9.10 per Tower share, the seller shall underwrite the private placement at an issue price of R9.10 per Tower share.

Prior to entering into the acquisition agreement, HTP, which is presently a wholly owned subsidiary of the seller, acquired the property letting enterprises in respect of each of the properties owned by HTP from various other subsidiaries of the seller (the “**prior sales**”) in terms of which vacancies in the portfolio are guaranteed by the seller for 24 months from the effective date.

The acquisition remains conditional upon:

- approval by the Competition Authorities by no later than 29 May 2015;
- Tower satisfying any requirements of Nedbank Limited and/or Investec Limited in respect of Tower acquiring the entire issued share capital of HTP, alternatively Tower procuring a bank guarantee up to a maximum of R185 000 000 for repayment of amounts owed by HTP to Nedbank Limited and Investec Limited;
- the shareholders of the seller passing a resolution authorising the disposal of the entire issued share capital of HTP in accordance with section 112 of the Companies Act, 71 of 2008;
- the seller providing proof to Tower that the prior sales are unconditional; and
- if the volume weighted average traded price per Tower share in respect of the 10 consecutive calendar days expiring on the date preceding the date on which the approval of the Competition Authorities is obtained is less than R9.10 per Tower share, the seller may elect not to underwrite the private placement and Tower may place

Tower shares at less than R9.10 pursuant to the private placement on or before 29 May 2015. If Tower is unable to place sufficient shares to raise R142 000 000 on or before 29 May 2015 this condition shall fail.

The 4 945 054 Tower shares issued to the seller as well as the Tower shares issued pursuant to the private placement (collectively the “**consideration shares**”) will be issued prior to the record date for participation in Tower’s final distribution for the six months ended 31 May 2015 and will thus receive the full distribution in respect of the six months ended 31 May 2015. The consideration shares should however only be entitled to receive the distribution in respect of the period from the effective date to 31 May 2015 and the seller will accordingly pay an amount equal to the distribution in respect of the period from 1 December 2014 to the effective date to Tower.

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

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	Meadowbrook Distribution Centre, 74 Lascelles Road, Edenvale
Sector	Industrial
Geographical location	Gauteng
Rentable area (m²)	15 632
Weighted average rental per m²	R48.83/m ²
Value attributed to the property	R102 088 767
Net operating income (1 April 2015 to 31 March 2016)	R9 161 565
Property name and address	Industry Road, Isando, 8 Industry Road, Kempton Park, Isando
Sector	Industrial
Geographical location	Gauteng
Rentable area (m²)	14 626
Weighted average rental per m²	R21.67/m ²
Value attributed to the property	R41 268 021
Net operating income 1 April 2015 to 31 March 2016)	R3 785 739
Property name and address	Cleveland, 10A Cleveland Road, Cleveland, Johannesburg
Sector	Industrial
Geographical location	Gauteng
Rentable area (m²)	2 674
Weighted average rental per m²	R45.86/m ²
Value attributed to the property	R16 802 860
Net operating income (1 April 2015 to 31 March 2016)	R1 591 681
Property name and address	Kuit Street, 320 Kuit Street, Watloo, Pretoria
Sector	Industrial
Geographical location	Gauteng
Rentable area (m²)	7 749
Weighted average rental per m²	R37.10/m ²
Value attributed to the property	R31 469 230
Net operating income (1 April 2015 to 31 March 2016)	R3 451 660
Property name and address	Route 21 Industrial Park, Prospect Close, 43 Regency Drive, Irene
Sector	Industrial
Geographical location	Gauteng
Rentable area (m²)	4 967

Weighted average rental per m²	R65.00/m ²
Value attributed to the property	R49 096 197
Net operating income (1 April 2015 to 31 March 2016)	R4 503 860

Property name and address	Pick ‘n Pay Distribution Centre, Goodwood Road, Mahogany Ridge, Pinetown
Sector	Industrial
Geographical location	Kwa-Zulu Natal
Rentable area (m²)	12 027
Weighted average rental per m²	R65.27/m ²
Value attributed to the property	R104 970 800
Net operating income (1 April 2015 to 31 March 2016)	R9 420 202

Property name and address	Nampak, Pinetown, Walton Industrial Estate, 7 Joule Crescent, Marian Hill, Pinetown
Sector	Industrial
Geographical location	Kwa-Zulu Natal
Rentable area (m²)	4 761
Weighted average rental per m²	R31.55/m ²
Value attributed to the property	R20 086 924
Net operating income (1 April 2015 to 31 March 2016)	R1 802 624

Property name and address	Arrowfield, Pinetown, 33 Hillclimb Road, Mahogany Ridge, Pinetown
Sector	Industrial
Geographical location	Kwa-Zulu Natal
Rentable area (m²)	1 450
Weighted average rental per m²	R52.40/m ²
Value attributed to the property	R9 967 197
Net operating income (1 April 2015 to 31 March 2016)	R912 036

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.

After taking into account liabilities, the value of HTP’s net assets is approximately R190 750 000.

Categorisation of the acquisitions

As announced on SENS on 16 January 2015, Tower had concluded an agreement for the acquisition of the property letting enterprise conducted in respect of Sunclare Office Block from the seller (the “**Sunclare acquisition**”). As the Sunclare acquisition and the acquisition (collectively the “**acquisitions**”) have been entered into by Tower with the same party and its associates, the acquisitions have been aggregate 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.

14 April 2015

Sponsor

JAVACAPITAL

Legal advisor

