

**Tower Property Fund Limited**  
*(formerly Reftin 1004 Proprietary Limited)*  
(Registration number 2012/066457/06)  
JSE share code: TWR ISIN number: ZAE000179040  
(Approved as a REIT by the JSE)  
("Tower" or "the company")



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## **ABRIDGED PRE-LISTING STATEMENT REGARDING THE LISTING OF TOWER PROPERTY FUND LIMITED ON THE MAIN BOARD OF THE JSE**

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This abridged pre-listing statement relates to:

- a capital raising by way of a private placement; and
- the subsequent listing of all shares in the company on the "Diversified REITs" sector of the JSE.

The pre-listing statement provides for a capital raising of between R300 million and R600 million. However, based on its engagements with those investors providing pre-commitments and an underwrite, the board considers an amount of R300 million to be the optimal amount of capital to be raised in terms of the private placement. On this basis the private placement is fully pre-committed or underwritten as set out in paragraphs 10 and 11 below.

This abridged pre-listing statement is not an invitation to the public to subscribe for shares in the company, but is issued in compliance with the JSE Listings Requirements for the purposes of giving information to the public in relation to Tower and to invited investors in relation to the private placement.

This announcement contains the salient information in respect of Tower, which is more fully described in the pre-listing statement which is to be issued to invited investors (the "**pre-listing statement**"). For a full appreciation of Tower, the private placement and the listing, the pre-listing statement should be read in its entirety.

Terms defined in the pre-listing statement shall bear the same meaning in this abridged pre-listing statement.

### **1. Introduction**

The JSE has granted Tower a listing of all of its issued ordinary shares in the "Diversified REITs" sector of the JSE lists under the abbreviated name "Tower", JSE Share Code "TWR" and ISIN Code "ZAE000179040" with effect from the commencement of trade on Friday, 19 July 2013 (the "**Listing Date**").

### **2. Overview of Tower**

Tower was incorporated in South Africa as a private company on 11 April 2012. On 19 October 2012, the name of the company was changed from Reftin 1004 Proprietary Limited to Tower Property Fund Proprietary Limited. The company was converted to a public company on 22 February 2013.

Tower is a property investment fund that is structured as a REIT. The business of the Tower group is long-term investment in property, and the Tower group owns a diversified portfolio of office and retail properties based predominantly in Gauteng and the Western Cape, with some exposure in KwaZulu-Natal.

Tower currently owns the existing portfolio of 14 properties in the retail and office sectors, valued at approximately R956 050 000, comprising the Cape Quarter portfolio (3 properties), the Lucky Bean portfolio (7 properties) and the City Square portfolio (4 properties).

Tower has entered into transactions to acquire a further 13 properties in the retail and office sectors, valued at R693 800 000.

The company aims to provide investors with strong investment returns, comprising a growing income stream and capital value. This will be achieved, firstly, by adding value through active property asset management, and secondly, through the cost-effective ‘greening’ of properties in the portfolio which will result in reduced occupation costs for tenants and increased investment performance.

### 3. Investment Strategy

Tower will target acquisitions of medium-sized (R30 million to R200 million) properties, diversified across the retail, office and industrial sectors, and geographically across the major metropolitan areas. Competition for medium-sized properties is less intense, and well-located, good-quality, medium-sized properties provide a diversified earnings base, better yields, and frequently, the opportunity to improve performance. Larger properties will not be excluded where suitable opportunities arise.

Properties acquired and to be acquired by Tower were and will be selected for their potential to generate and sustain strong rental income streams. Diversification is a key component of the company’s investment strategy, and is achieved through:

- A geographic spread of properties across major urban centres, providing diversification across regional economies. As a Cape-based fund, and recognising the relative stability of property performance in the region, we will seek to maintain a substantial exposure to the Western Cape, although the greatest concentration is likely to be in Gauteng. The company has a smaller exposure to Kwa-Zulu Natal.
- A mix of property types. Retail, office and industrial properties will be targeted, with a long-term bias towards retail ( $\pm 50\%$ ) followed by office ( $\pm 30\%$ ) and industrial ( $\pm 20\%$ ).
- A staggered lease expiry profile, in order to ‘smooth’ the rental income stream.

Tower will adopt an active strategy of ‘greening’ properties over time. The initial focus will be on improving energy efficiency, which will result in significant savings in electricity costs, thus making buildings more competitive and helping to “future-proof” them against future rises in tariffs. Basic cost effective energy and water savings measures that can be implemented at low or no cost will be applied immediately, while additional measures will be implemented over time as opportunities arise. Buildings will be benchmarked against the Green Building Council of South Africa’s ‘Energy and Water Benchmarking tool’ and their improvement in performance will be monitored and reported on. These measures will increase the competitiveness and values of buildings in Tower’s portfolio over time.

### 4. Management of the property portfolio

The asset management function of the company is undertaken by Tower Asset Managers Proprietary Limited (the “**asset manager**”).

The asset manager is owned by Spire Property Group Proprietary Limited (“**Spire**”) and partners. Spire is an experienced, highly-regarded property group which has successfully assembled and managed listed property funds before, has demonstrated an ability to add value to the assets it manages, and is one of the leaders in the green building field.

Property management is contracted to Spire Property Management Proprietary Limited.

### 5. Overview of the Property Portfolio

The Tower group, via its subsidiaries, holds the existing portfolio comprising 14 properties valued at approximately R956 050 000, with a gross rentable area of approximately 43 469 m<sup>2</sup>. The Tower group acquired control over the existing portfolio with effect from 1 June 2013.

The existing portfolio is made up of:

- the Cape Quarter portfolio which comprises 3 properties known as “Cape Quarter Square”, “Cape Quarter Piazza” and “32 Napier Street”;
- the Lucky Bean portfolio which comprises 7 properties known as “Coachman’s Crossing”, “St Andrews”, “Viscount Road”, “Waterfall”, “Waterford”, “Woodlands” and “7 Stirrup Lane”; and
- the City Square portfolio which comprises 4 properties known as “Block B Upper Grayston”, “Block D Upper Grayston”, “Block E Upper Grayston” and “Block F Upper Grayston”.

The acquisition portfolio comprises:

- the Capital transaction portfolio, which comprises 7 properties known as “3 River Road”, “31 Beacon Road”, “382 Jan Smuts Avenue”, “Constantia View”, “Musgrave Road”, “The Braides” and “Willovale”;
- the Fortess transaction portfolio, which comprises 5 properties known as “6-8 Sturdee Avenue”, “308 Kent Avenue”, “Wedgfield”, “Hanover Square” and “73 Hertzog Boulevard”; and
- the Turquoise Moon portfolio, which comprises 1 property known as “Clearview Motor Village”.

Assuming that the acquisition of all of the properties comprising the acquisition portfolio set out above are implemented, Tower will hold 27 properties valued at R1.65 billion, with a gross rentable area of approximately 104 284 m<sup>2</sup>.

## 6. Share capital

Immediately prior to the private placement and the listing –

- the authorised share capital of Tower will comprise 500 000 000 ordinary shares of no par value; and
- the issued share capital of Tower will comprise 42 876 430 ordinary shares of no par value.

Assuming 34 482 759 Tower shares are issued in terms of the private placement, and upon the implementation of the acquisition of the acquisition portfolio referred to above, immediately after the private placement and the listing –

- the authorised share capital of Tower will comprise 500 000 000 ordinary shares of no par value; and
- the issued share capital of Tower will comprise 111 942 578 ordinary shares of no par value; and
- there will be no shares held in treasury.

## 7. Distribution policy

The company intends making six-monthly dividend distributions, which are expected to be declared for the periods ended November and May each year, and paid within 4 months of the end of each such period.

The dividend will comprise 100% of the distributable income in respect of each such period, subject to the directors being satisfied that the requirements of the solvency and liquidity test have been met.

## 8. Details of the private placement

The company is undertaking a capital raising by way of a private placement to invited investors to subscribe for between 34 482 759 and 68 965 517 placement shares at an issue price of R8.70 per share.

Applications must be for a minimum subscription of R1 000 000 per investor acting as principal.

The private placement is conditional on the minimum subscription of R300 million being raised.

There are no convertibility or redemption provisions relating to the placement shares offered in terms of the private placement. Placement shares will be issued in dematerialised form only. There are no fractions of placement shares being issued pursuant to the private placement.

## 9. Purpose of the Private Placement

The main purposes of the private placement and the listing are to:

- raise capital to reduce debt used to fund the acquisitions;
- provide investors, both institutional and private, with an opportunity to participate over the long term in the income streams and future capital growth of the company;
- obtain a spread of investors in order to enhance the liquidity and tradability of the shares;
- provide the company with access to a central trading facility thereby providing liquidity to shareholders;
- provide the company with a platform to raise funding to pursue growth and investment opportunities in the future; and
- enhance the public profile and general public awareness of Tower.

## 10. Subscription commitments

As at the date of this abridged pre-listing statement, Tower has received binding subscription undertakings in an aggregate amount of R178 042 542 equating to 20 464 660 shares at R8.70 per share.

The subscription commitments have been received from the following investors and in the following amounts:

- Stanlib Asset Management Limited: R73 042 537 (8 395 694 shares);
- Grindrod Asset Management Proprietary Limited: R49 999 996 (5 747 126 shares);
- Prescient Investment Management Proprietary Limited (“**Prescient**”): R 50 000 004 (5 747 127 shares); and
- 3PM Investments Proprietary Limited (“**3PM**”): R5 000 003 (574 713 shares).

In terms of the subscription undertakings, the relevant investors have each undertaken to subscribe for the number of shares set out above and Tower has undertaken to allocate each of these investors that number of shares.

A commitment fee equal to 5% of the subscription commitment provided is payable to each of these investors by Tower.

## 11. Underwriting

In addition to the subscription commitments set out above, in terms of an underwriting agreement entered into between Tower and Fortress 2, the private placement has been underwritten by Fortress 2 in an amount of up to R150 million. In terms of the underwriting agreement Fortress 2 has undertaken to:

- subscribe and pay, or to procure subscribers (on the terms and conditions of the private placement including, *inter alia*, the requirement that subscriptions in terms of the offer may only be made for a minimum amount of R1 000 000 per single addressee acting as principal) and secure payment, in cash (in South African Rand) for up to 17 241 380 shares to be issued by the company which will form part of the subject matter of the offer and which are not subscribed for or taken up pursuant to the offer at the offer price thereof of R8.70 per share; and

- pay the amount due or procure payment of the amount due to Tower within 48 hours of being advised in writing of the number of shares it is obliged to subscribe for and take up pursuant to the offer (which Tower will do within 72 hours after the close of the private placement).

Tower shall pay Fortress 2 an underwriting fee in the aggregate amount of R7 500 000 (exclusive of VAT), which shall only become payable once Fortress 2 has complied with its obligations in terms of the underwriting agreement entered into between Tower and Fortress 2.

The directors of Tower have made due and careful enquiry of Fortress 2 and hereby confirm that Fortress 2 can meet its commitments in terms of the private placement.

The directors of Fortress 2 are Mark Stevens, Wiko Serfontein and Nicolaas Hanekom.

None of the directors, promoters or prescribed officers of Tower hold any beneficial interest, direct or indirect, in Fortress 2.

## 12. Anticipated application of proceeds of private placement

R300 million raised under the private placement will be applied as follows:

- R292.1 million will be used to partly finance the acquisitions and settle interest-bearing debt originating from the acquisitions; and
- approximately R7.9 million will be used to defray the preliminary and issue expenses incurred pursuant to the private placement and listing.

## 13. Salient dates and times

	<b>2013</b>
Opening date of the private placement (09:00)	Friday, 12 July
Closing date of the private placement (12:00) by which date invited investors are required to submit their application form to Java Capital in order to qualify for participation in the private placement	Tuesday, 16 July
Results of the private placement released on SENS on	Wednesday, 17 July
Notification of allotments	Thursday, 18 July
Results of the private placement published in the press on	Thursday, 18 July
Shares listed on the JSE (09:00)	Friday, 19 July
Accounts at CSDP or broker updated and debited in respect of dematerialised shareholders	Friday, 19 July

### Notes:

1. These dates and times are South African dates and times and are subject to amendment. Any such amendment will be released on SENS and published in the press.
2. Invited investors may only receive shares in dematerialised form and must advise their CSDP or broker of their acceptance of the private placement in the manner and cut-off time stipulated by their CSDP or broker.
3. CSDP's effect payment on a delivery-vs-payment basis.

Applicants should consult their broker or CSDP to ascertain the timing for submission of applications as this may vary depending on the broker or CSDP in question.

## 14. Directorate

The full names, ages, business address, occupations and capacities of the directors of Tower are outlined below:

<b>Names, age and nationality</b>	<b>Business address</b>	<b>Qualification</b>	<b>Function</b>
Andrew Dalling 69 South African	123 Main Road, Greyton, 7233	Dip Law	Chairman, independent non- executive director
Marc Edwards 39 South African	2 <sup>nd</sup> Floor, Spire House, Tannery Park, 23 Belmont Road, Rondebosch, 7700	NQF5 Real Estate	Chief Executive Officer
Fred Jenkins 65 South African	2 <sup>nd</sup> Floor, Spire House, Tannery Park, 23 Belmont Road, Rondebosch, 7700	CA (SA)	Chief Financial Officer
Bruce Kerswill 57 South African	2 <sup>nd</sup> Floor, Spire House, Tannery Park, 23 Belmont Road, Rondebosch, 7700	BSc (Town and Regional Planning) MBA	Executive director
Keith Craddock 57 South African	2 <sup>nd</sup> Floor, Spire House, Tannery Park, 23 Belmont Road, Rondebosch, 7700	BSc (Civil Eng), MBA	Executive director
Martin Evans 56 South African	Block A, Unit 6, Coachman's Crossing Office park, 4 Brian Street, Lyme Park, Bryanston	BSc (Town and Regional Planning), MBA	Non-executive director
John Bester 65 South African	Personal Trust House Belmont Park Belmont Road Rondebosch 7700	CA(SA); B.Com (Hons) (UCT); CTA (Wits); CMS (Oxon); AMP (UCT); AMP (Oxford)	Independent non- executive director
Nicola Milne 38 South African	13 Thistle Street, Fernwood, 7700	BCom CA (SA)	Independent non- executive director
Athi Magwentshu 35 South African	30C French Lane, Morningside, Sandton, 2196	BTech (QS), MBA	Independent non- executive director
Raven Naidoo 48 South African	5 <sup>th</sup> Floor, Buitengracht Centre, 125 Buitengracht Street, Cape Town	BSc (Hons), MSc (Nuclear Physics) – PhD (Micro Electronics), MSc (Tech Innovation Management) Univ Sussex	Independent non- executive director

## 15. The pre-listing statement

The pre-listing statement is only available in English. Copies of the pre-listing statement may be obtained from the registered office of the company, Java Capital or the transfer secretary from Friday, 12 July 2013 to Monday, 29 July 2013.

12 July 2013

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### Corporate advisor and bookrunner

The logo for Java Capital, featuring the word "JAVACAPITAL" in a stylized, grey, sans-serif font. The "A" in "JAVACAPITAL" is slightly larger and more prominent.

### Independent transaction sponsor

The logo for Deloitte, featuring the word "Deloitte." in a bold, black, sans-serif font.

Deloitte & Touche Sponsor Services (Pty) Ltd  
(Incorporated in the Republic of South Africa)  
(Registration number 1996/000034/07)

### Independent reporting accountant and auditor

The logo for Mazars, featuring a red square with a white letter "M" on the left, followed by the word "MAZARS" in a blue, sans-serif font.

### Independent valuer

The logo for MillsFitchet Magnus Penny, featuring the words "MillsFitchet" and "Magnus Penny" in a blue, sans-serif font, with a blue arc above "MillsFitchet". Below the name is the tagline "We Value Our Land" in a smaller font.

### Attorneys

The logo for DLA Cliffe Dekker Hofmeyr, featuring a blue square with a white letter "C" on the left, followed by the words "DLA CLIFFE DEKKER" and "HOFMEYR" in a blue, sans-serif font.