



FINANCIAL EFFECTS AND CAUTIONARY ANNOUNCEMENT

1. INTRODUCTION

Shareholders are referred to the announcement released on SENS on 11 February 2014 in which it was announced that Tower had concluded an agreement with Motifprops 77 Proprietary Limited (“**the seller**”) for the acquisition of the seller’s rental enterprise in respect of the property known as Clifton Place (“**Clifton Place**” or “**the property**”) which includes all of the issued shares in and claims against NIB 69 Share Block Proprietary Limited, a share block company operating a share block scheme, and all the seller’s rights under leases with tenants of Clifton Place for an amount of R80 500 000 (“**the acquisition**”).

The purpose of this announcement is to present the financial effects of the acquisition.

2. FORECAST FINANCIAL INFORMATION OF THE ACQUISITION

Set out below are the forecast revenue, net operating profit and distributable earnings of Clifton Place (“**the Clifton Place forecasts**”) for the two months ending 31 May 2014 and the year ending 31 May 2015 (“**the forecast periods**”). The Clifton Place forecasts have been prepared on the assumption that the acquisition will be implemented on 1 April 2014 and on the basis that the Clifton Place forecasts include forecast results for the duration of the forecast periods.

The Clifton Place 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 Clifton Place forecasts have not been reviewed or reported on by the independent reporting accountants.

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

	Forecast for the two months ending 31 May 2014 R’000	Forecast for the year ending 31 May 2015 R’000
Contractual rental income	1 761	10 990
Straight-line rental income accrual	111	377
Revenue	1 872	11 367
Net property income*	1 434	8 592
Net operating profit#	1 367	8 189
Total comprehensive profit for the period#^	862	5 160
Distributable earnings	750	4 783

* Includes the effects of straight-lining rental income

Includes the effects of asset management fees

^ Includes the effects of finance costs

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

2.1.1 The Clifton Place forecasts are based on Clifton Place only.

2.1.2 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.

2.1.3 Contracted revenue is based on existing lease agreements including stipulated increases, all of which are valid and enforceable.

2.1.4 Uncontracted revenue amounts to 9.0% for the two months ending 31 May 2014 and 22.1% for the year ending 31 May 2015.

2.1.5 Current vacant space is assumed to remain vacant unless it is deemed probable that such space will be let, in which case rental is forecast at prevailing market rates.

2.1.6 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.

2.1.7 The aggregate purchase consideration of R80.74 million (comprising the purchase price R80.50 million and acquisition costs of R0.24 million) is assumed to be settled as follows:

2.1.7.1 R40.25 million of the aggregate purchase consideration will be settled through the issue of 4.84 million consideration shares at an issue price of R8.31 per share to the seller. The issue price is the lower of R8.50 and the 30 day volume weighted average price per Tower share at 25 February 2014 of R8.31; and

2.1.7.2 R40.49 million of the aggregate purchase price is assumed to be funded through interest-bearing borrowings which are assumed to incur interest at an effective rate of 7.5% per annum.

2.1.8 The acquisition is accounted for as the acquisition of investment property in terms of *IAS 40: Investment Property* and is initially recognised at the cost of acquisition. Directly attributable costs of acquisition (costs directly attributable to the acquisitions) are capitalised as part of the cost of the asset.

2.1.9 Tower has adopted the fair value model to account for investment properties and after initial recognition, a gain or loss arising from a change in fair value is recognised in profit or loss for the period in which it arises. The fair value adjustments are assumed to be made in the period in which the acquisition becomes effective.

2.1.10 The fair value of Clifton Place is assumed to equate to R80.74 million, the cost of the acquisition including capitalised costs of acquisition. Accordingly, no fair value adjustment is recognised.

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

2.2.1 An effective date of acquisition of 1 April 2014.

2.2.2 In terms of the asset management agreement with Tower Asset Managers Proprietary Limited, Tower shall pay the manager a monthly fee equivalent to 1/12th of 0.5% of the aggregate of the market capitalisation and the borrowings of Tower.

2.2.3 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).

2.2.4 There will be no unforeseen economic factors that will affect the lessees' abilities to meet their commitments in terms of existing lease agreements.

3. UNAUDITED *PRO FORMA* FINANCIAL EFFECTS OF THE ACQUISITION

The unaudited *pro forma* financial effects of the acquisition on Tower's net asset value and tangible net asset value per share, based on the unaudited consolidated statement of financial position as at 30 November 2013, are not significant and have not been presented.

4. RENEWAL OF CAUTIONARY ANNOUNCEMENT

Tower shareholders are referred to the cautionary announcements dated 12 December 2013 and 30 January 2014 and are advised that Tower is still in negotiations in relation to the acquisition of further properties. Accordingly, shareholders are advised to continue to exercise caution when dealing in their shares until a further announcement is made in this regard.

26 February 2014

Corporate advisor and sponsor



Legal advisor

