

**TOWER PROPERTY FUND LIMITED**  
*(formerly Reftin 1004 Proprietary Limited)*  
(Registration number 2012/066457/06)  
JSE share code: TWR ISIN: ZAE000179040  
(Approved as a REIT by the JSE)  
("Tower")



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## ACQUISITION OF DE VILLE SHOPPING CENTRE, CAPE TOWN AND WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

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### 1. INTRODUCTION

Tower has concluded agreements with Attacq Limited ("**Attacq**") and its wholly-owned subsidiary De Ville Shopping Centre Proprietary Limited ("**De Ville**") for the acquisition ("**the acquisition**") of the De Ville Shopping Centre (the "**De Ville shopping centre**" or "**the property**") for an aggregate amount of R226 000 000 ("**acquisition price**"). The acquisition is made by the purchase of all of the issued shares in and shareholder claims against De Ville for an amount of R202 961 610 ("**purchase consideration**") in terms of a sale agreement ("**sale agreement**") and by the subscription for 900 authorised but unissued shares in De Ville for an amount of R23 038 390 ("**subscription price**") in terms of a subscription agreement ("**subscription agreement**"). De Ville owns the De Ville shopping centre and conducts the rental enterprise in respect thereof.

### 2. RATIONALE FOR THE ACQUISITION

The acquisition is in line with Tower's strategy of targeting good quality, well located, medium sized properties in major metropolitan areas.

### 3. DETAILS OF THE PROPERTY

The property (the Remainder of Erf 2011 Durbanville, City of Cape Town held under title deed no. T073252/08) is a community centre with a total gross lettable area of 13 455 m<sup>2</sup> of which 2 558 m<sup>2</sup> consists of a B-grade office tower above the retail centre and includes 515 undercover parking bays. The property is situated on the corner of Wellington and Main Roads and is well-positioned in the heart of Durbanville, Cape Town.

The weighted average rental per square metre in respect of the property for the month of April 2014 is R133.17.

The board is satisfied that the value of the property is in line with the purchase consideration being paid by Tower. The directors of Tower are not independent and are not registered as professional valuers or as professional associate valuers in terms of the Property Valuers Profession Act, No 47 of 2000.

### 4. TERMS OF THE ACQUISITION

- 4.1. In terms of the sale agreement, Tower will purchase all of the shares in and claims against De Ville with effect from 1 April 2014 ("**the effective date**").
- 4.2. The purchase consideration will be paid in cash to Attacq on the later of the effective date and the 3<sup>rd</sup> business day after the date of fulfilment or waiver of the last of the conditions set out in

paragraph 5.1 below (“**closing date**”), which is the same date as the subscription date under the subscription agreement when the subscription price will be paid in cash to De Ville.

- 4.3 On or before the closing date, De Ville will declare a dividend in an amount of R23 038 390.00 (“**the first dividend claim**”), and possibly a further dividend described in 4.6 below out of the distributable profits of De Ville earned between the effective date and the 2nd business day before the subscription date (“**subsequent dividends**”), which collectively constitute the "**Attacq Dividend Claims**", and which will be credited to a loan account in favour of Attacq and settled from the proceeds of the subscription price.
- 4.4 Tower will pay Attacq that portion of turnover rental payable after the effective date to De Ville in respect of the period from the commencement of the relevant financial period of the respective tenant until the effective date.
- 4.5 Attacq has agreed to protect Tower from any shortfall in actual rental income of the property against the forecast gross monthly rental income date in respect of vacant space up to a maximum R3 774 741.36 for a period of 12 months from the effective date by taking a 12 month head lease in respect of that space.
- 4.6 The acquisition price shall increase by an aggregate amount equal to the acquisition price multiplied by 7.69% (seven point six nine percent) and then multiplied by the number of days from the effective date to the day preceding the closing date (both dates inclusive) divided by 365 (three hundred and sixty five). The extent to which this increase is by way of an increase in the subscription price paid by Tower to De Ville (and subsequent dividends of this increased amount paid by De Ville to Attacq as part of the Attacq Dividend Claims) or an increase in the purchase consideration paid by Tower to Attacq or by a combination of these will be determinable immediately before the closing date.
- 4.8 The agreements provide for warranties and indemnities that are normal for an acquisition of this nature.

## **5 CONDITIONS PRECEDENT**

- 5.1 The sale agreement is subject to the fulfilment or waiver of the following suspensive conditions by various dates (the last of which is 31 May 2014) provided that this Agreement shall not then automatically lapse and be of no further force and effect, but any party may on or after the date for fulfilment on written notice to the other parties, require that the condition precedent in question be fulfilled within 5 (five) business days after the date of the notice and, failing fulfilment of the condition precedent in question within the aforesaid 5 (five) business day period the agreement will lapse:
  - 5.1.1 Tower board approval;
  - 5.1.2 the subscription agreement being concluded and becoming unconditional in accordance with its terms (save for any condition in such agreement making it conditional upon the sale agreement becoming unconditional);
  - 5.1.3 Tower obtaining approval of a loan from a bank or other financial institution in an amount of not less than R113 000 000 to fund the Purchase consideration and/or the subscription price, on terms and conditions acceptable to Tower's board including cancellation of the existing Nedbank bond and registration of a new first mortgage bond on or before the closing date and providing written confirmation or proof of such funding to Attacq;

- 5.1.4 Attacq, as the sole shareholder of De Ville, adopts such special resolutions, in terms of De Ville's memorandum of incorporation and sections 45 and 46 of the Companies Act, as may be required, to approve any such granting of financial assistance and/or making of a distribution (both as contemplated by the companies act) associated with the granting and registration of the new first mortgage bond as described in clause 5.1.3 above;
  - 5.1.5 Tower obtaining a bank guarantee, on terms and conditions acceptable to Attacq (to be indicated by Attacq in writing) from one of the 5 (five) largest banks in South Africa ("bank") for payment of the purchase consideration amount described in clause 1 above and expressly payable to Attacq by the bank on the closing date;
  - 5.1.6 to the extent required, all approvals required under the listings requirements are obtained by Tower for the conclusion and implementation of the transactions recorded in the sale agreement and/or the subscription agreement; and
  - 5.1.7 the relevant competition authority unconditionally approving the transaction recorded in the sale agreement in terms of the Competition Act, with or without conditions, and the parties confirming their agreement in writing to any conditions relating to such approval (if any);
- 5.2 The subscription agreement is subject to the fulfilment or waiver of the following suspensive conditions by various dates (the last of which is 31 May 2014) provided that the subscription agreement shall not then automatically lapse and be of no further force and effect, but any party may on or after the date for fulfilment on written notice to the other parties, require that the condition precedent in question be fulfilled within 5 (five) business days after the date of the notice and, failing fulfilment of the condition precedent in question within the aforesaid 5 (five) business day period the agreement will lapse:
- 5.2.1 De Ville board approval;
  - 5.2.2 Tower board approval;
  - 5.2.3 the sale agreement is concluded and becomes unconditional in accordance with its terms (save for any condition therein making such agreement conditional upon the subscription agreement becoming unconditional);
  - 5.2.4 Tower obtaining a bank guarantee, on terms and conditions acceptable to Attacq (to be indicated by Attacq in writing) from one of the 5 (five) largest banks in South Africa ("bank") for payment of the portion of the subscription price equal to the first dividend claim (described in clause 1 above) and expressly payable to Attacq by the bank on the subscription date;
  - 5.2.5 the board of directors of De Ville adopt a written resolution authorising De Ville, in terms of section 38(1) of the Companies Act, to allot and issue the subscription shares to Tower, in accordance with the terms and conditions contained in the subscription agreement, and acknowledging that the subscription price is adequate consideration (as contemplated in section 40(1)(a) of the Companies Act) for the issuing of the subscription shares to Tower; and
  - 5.2.6 special resolutions are adopted by the shareholder of De Ville, in terms of De Ville's memorandum of incorporation and section 41(3) of the Companies Act, in terms whereof Attacq (in its capacity as the sole shareholder of De Ville) approves the allotment and issue of the subscription shares to Tower.

## 6 CATEGORISATION OF THE ACQUISITION

The acquisition constitutes a category 2 transaction in terms of the JSE Listings Requirements and accordingly does not require approval by Tower shareholders.

## 7 FORECAST FINANCIAL INFORMATION OF THE ACQUISITION

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

The De Ville 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 De Ville forecasts have not been reviewed or reported on by independent reporting accountants.

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

	<b>Forecast for the two months ending 31 May 2014 R’000</b>	<b>Forecast for the year ending 31 May 2015 R’000</b>
Contractual rental income	4 970	31 085
Straight-line rental income accrual	513	2 450
Revenue	5 483	33 535
Net property income*	3 716	22 217
Net operating profit#	3 527	21 084
Total comprehensive profit for the period#^	2 368	14 131
Distributable earnings	1 880	11 832

\* Includes the effects of straight-lining rental income

# Includes the effects of asset management fees

^ Includes the effects of finance costs

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

7.1.1 The De Ville forecasts are based on De Ville only.

7.1.2 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, Broll Property Group Proprietary Limited.

- 7.1.3 Contracted revenue is based on existing lease agreements and rental guarantees including stipulated increases, all of which are valid and enforceable.
- 7.1.4 Uncontracted revenue amounts to 2.6% for the two months ending 31 May 2014 and 4.9% for the year ending 31 May 2015.
- 7.1.5 Current vacant space is assumed to be let in terms of the lease to Attacq described in clause 4.5 above.
- 7.1.6 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.
- 7.1.7 The aggregate acquisition cost of R226.57 million (comprising the acquisition price of R226.00 million and acquisition costs of R0.57 million) is assumed to be settled as follows:
- 7.1.7.1 R90.40 million of the aggregate acquisition cost is assumed to be funded through interest-bearing borrowings which are assumed to incur interest at an effective rate of 7.453% per annum; and
- 7.1.7.2 on 12 March 2014, the company raised R140.00 million through the issue of 17.61 million Tower shares at an issue price of R7.95 per Tower share to be used to reduce existing borrowings and/or finance future acquisitions. R136.17 million of the aggregate acquisition cost is to be settled from the proceeds of the share issue, and accordingly for purposes of the De Ville forecast it has been assumed that 17.13 million Tower shares have been issued at R7.95 per Tower share.
- 7.1.8 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.
- 7.1.9 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.
- 7.1.10 The fair value of De Ville is assumed to equate to R226.57 million, the cost of the acquisition including capitalised costs of acquisition. Accordingly, no fair value adjustment is recognised.
- 7.2 The De Ville forecasts incorporate the following material assumptions in respect of revenue and expenses that cannot be influenced by the directors:
- 7.2.1 An effective date of acquisition of 1 April 2014.
- 7.2.2 In terms of the asset management agreement with Tower Asset Managers Proprietary Limited, Tower will pay the manager a monthly fee equivalent to  $\frac{1}{12}$ th of 0.5% of the aggregate of the market capitalisation and the borrowings of Tower.

7.2.3 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).

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

## **8 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.

## **9 WITHDRAWAL OF CAUTIONARY**

Tower shareholders are referred to the previous cautionary announcements, the last of which was dated 26 February 2014, and are advised that following the release of this announcement, caution is no longer required to be exercised by Tower shareholders when dealing in their shares.

17 March 2014

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Sponsor and Corporate advisor

JAVACAPITAL

Legal advisor

