

## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions and interpretations commencing on page 4 of this Circular apply throughout this Circular, including this front cover.

### Action required

1. This Circular is important and should be read in its entirety, with particular attention to the section entitled "Action required by Shareholders" on page 2.
2. If you are in any doubt as to what action you should take, please consult your broker, banker, attorney, CSDP or other professional advisor immediately.
3. If you have disposed of all of your Capital Appreciation shares, this Circular should be handed to the purchaser of such Capital Appreciation shares or to the broker, CSDP, banker or other agent through whom the disposal was affected.

**Capital Appreciation does not accept responsibility, and will not be held liable, for any action of, or omission by, any CSDP or broker including, without limitation, any failure on the part of the CSDP or broker of any beneficial owner of Capital Appreciation shares to notify such beneficial owner of the details set out in this Circular.**

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(Incorporated in the Republic of South Africa)  
(Registration number 2014/253277/06)  
JSE share code: CTA ISIN: ZAE000208245

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## CIRCULAR TO CAPPREC SHAREHOLDERS

regarding, among other things:

- a specific authority to implement the repurchase of all CAPPREC shares owned by the Relevant Persons;
- a small related party transaction in relation to: (i) the disposal of CAPPREC's 17.45% interest in and loan claim against Resonance Australia to Dvash; and (ii) African Resonance's acquisition of certain intellectual property (and the transfer of key personnel) from Uplink;

and incorporating:

- a report prepared by the Independent Expert in terms of section 114(3) of the Companies Act, the Takeover Regulations and in terms of the JSE Listings Requirements;
  - a notice of General Meeting of CAPPREC Shareholders to approve the Special Resolution; and
  - a form of proxy for the General Meeting of CAPPREC Shareholders (for use by Certificated Shareholders or Dematerialised Shareholders with "own name" registration only).
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Financial advisor and sponsor



Legal advisor



Independent Expert



Reporting Accountant



Date of issue: Monday, 29 July 2019

Copies of this Circular, in English only, may be obtained from the Company's website at [www.capitalappreciation.co.za](http://www.capitalappreciation.co.za) or at the Company's registered office or at the office of the Transfer Secretaries, during normal business hours on Monday, 29 July 2019 until Tuesday, 27 August 2019. The respective addresses of the Company's registered office and the Transfer Secretaries are set out in the "Corporate information" section on the inside front cover.

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## CORPORATE INFORMATION

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### Registered office of the Company

Capital Appreciation Limited  
1st Floor  
61 Katherine Road  
Sandton  
Johannesburg, 2196

### Date and place of incorporation

Incorporated in the Republic of South Africa  
on 3 December 2014  
Registration number 2014/253277/06

### Financial advisor and sponsor

Investec Bank Limited  
(Registration number 1969/004763/06)  
100 Grayston Drive  
Sandton  
Johannesburg, 2196  
(PO Box 785700, Sandton, 2196, South Africa)

### Independent Expert

BDO South Africa Incorporated  
(Registration number 1995/002310/21)  
22 Wellington Road  
Parktown  
Johannesburg, 2193  
(Private Bag X14, Sandton, 2146, South Africa)

### Company Secretary

PKF Ocatagon  
(Registration number 1998/021409/21)  
Scott Street  
Waverley  
Johannesburg, 2090  
(Private Bag X02, Highlands North, 2037)

### Transfer Secretaries

Computershare Investor Services Proprietary Limited  
(Registration number 2004/003647/07)  
Rosebank Towers, 15 Biermann Avenue  
Johannesburg, 2196  
(PO Box 61051, Marshalltown, South Africa)

### Legal advisor

Bowman Gilfillan Incorporated  
(Registration number 1998/021409/21)  
11 Alice Lane  
Sandton, 2196  
(PO Box 785812, Sandton, 2146, South Africa)

### Independent Reporting Accountant

Ernst & Young Incorporated  
102 Rivonia Road  
Sandown, 2196  
(Private Bag X14, Sandton, 2146)

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## **ACTION REQUIRED BY SHAREHOLDERS**

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The definitions and interpretations commencing on page 4 of this Circular shall apply *mutatis mutandis* to this section regarding the action required by CAPPREC Shareholders.

**Please take careful note of the following provisions regarding the actions required by CAPPREC Shareholders. If you are in any doubt as to the action you should take, please consult your CSDP, broker, attorney, banker or professional advisor immediately.**

The Transaction is subject to Shareholders (excluding Non-Independent Shareholders) passing the requisite Special Resolution at the General Meeting of Shareholders to be held at 1st Floor, 61 Katherine Street, Sandton, 2196 at 14:30 on Tuesday, 27 August 2019. A notice convening the General Meeting is attached to and forms part of this Circular.

Shareholders holding certificated shares and Dematerialised Shareholders who have elected "own-name" registration in the sub-register maintained by a CSDP, who are unable to attend the General Meeting but who wish to be represented thereat, are requested to complete and return the attached form of proxy in accordance with the instructions contained therein. The Company requests that duly completed forms of proxy be received by the Transfer Secretaries by no later than 14:30 on Friday, 23 August 2019.

Dematerialised Shareholders who have not elected "own-name" registration in the sub-register maintained by a CSDP, must provide their CSDP or broker with their instruction for attendance or voting at the General Meeting in the manner stipulated in the custody agreement governing the relationship between such Shareholders and their CSDP or broker. These instructions must be provided to the CSDP or broker by the cut-off time and date advised by the CSDP or broker for instructions of this nature. Should they wish to attend the General Meeting, they must request a letter of representation from their CSDP or broker.

If you hold your CAPPREC shares (whether certificated or dematerialised) through a nominee, you should timeously make the necessary arrangements with your nominee or, if applicable, your CSDP or broker who will provide them with the necessary letter of representation to vote in terms of the agreement entered into between the shareholder and the CSDP or broker, in the manner and time periods stipulated therein.

**CAPPREC does not accept responsibility and will not be held liable for any failure on the part of the CSDP of a Dematerialised Shareholder to notify such shareholder of the General Meeting or any business to be conducted thereat.**

### **DISSENTING SHAREHOLDERS' APPRAISAL RIGHTS**

At any time before the Special Resolution approving the CAPPREC Repurchase in terms of section 115 of the Companies Act is to be voted on at the General Meeting, a Shareholder may give the Company written notice objecting to the Special Resolution.

Within 10 business days after the Company having adopted the Special Resolution approving the Transaction, the Company must send a notice that the Special Resolution has been adopted to each Shareholder who gave the Company written notice of objection and has neither withdrawn that notice nor voted in favour of the Special Resolution.

A Shareholder who has given the Company written notice objecting to the Special Resolution, who is present at the General Meeting and votes against the Special Resolution and has complied with all of the procedural regulations set out in section 164 of the Companies Act may, if the Special Resolution has been adopted, then demand in writing within:

- 20 business days after receipt of the notice referred to above; or
- if the Shareholder does not receive the notice from the Company referred to above, 20 business days after learning that the Special Resolution has been adopted,

that the Company pay the Shareholder the fair value for all the shares in the Company held by that Shareholder. A more detailed explanation of the dissenting Shareholders' appraisal rights is contained in **Annexure 4** to this Circular.

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## IMPORTANT DATES AND TIMES

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The definitions and interpretations commencing on page 4 of this Circular have been used in the following table of important dates and times:

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**2019**

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Record date for determining which Shareholders are entitled to receive this Circular and notice of General Meeting	Friday, 19 July
Circular posted to CAPPREC Shareholders and notice convening the General Meeting released on SENS on	Monday, 29 July
Last day to trade in CAPPREC shares in order to be recorded in the Register on the Voting Record Date on <sup>3</sup>	Tuesday, 13 August
Voting Record Date to be entitled to attend, participate in and vote at the General Meeting being 14:30 on	Friday, 16 August
Last day for receipt of proxies for the General Meeting by 14:30 on <sup>4</sup>	Friday, 23 August
Last date and time for CAPPREC Shareholders to give notice in terms of section 164 of the Companies Act objecting to the Special Resolution approving the Transaction by 14:30 on	Tuesday, 27 August
<b>CAPPREC Shareholders' General Meeting to be held at 14:30 on</b>	<b>Tuesday, 27 August</b>
Results of the General Meeting released on SENS on	Tuesday, 27 August
Last day on which shareholders can require CAPPREC to seek court approval for the Transaction in terms of section 115(3)(a) of the Companies Act on	Tuesday, 3 September
Last day on which Shareholders can require CAPPREC to seek court approval for the Transaction in terms of section 115(3)(b) of the Companies Act on	Tuesday, 10 September
Last day for CAPPREC to give notice of adoption of the Special Resolution approving the Transaction to Shareholders (if any), objecting to the Special Resolution in terms of section 164(4) of the Companies Act (see note 2 below) on	Tuesday, 10 September
Last date on which Shareholders who validly exercised their appraisal rights in terms of section 164 of the Companies Act to deliver written demand to CAPPREC to pay fair value for their shares (for purposes of clarity, this demand must be delivered to CAPPREC within 20 business days of receipt of the notice of adoption referred to immediately above, or if any Shareholder did not receive such notice, within 20 business days of them learning that the Special Resolution had been adopted) on	Wednesday, 9 October
<b>If no Shareholder exercises their rights in terms of sections 115(3)(a) and (b) of the Companies Act, then the following are the anticipated relevant dates and times:</b>	
Expected implementation date of the Transaction on or about	Wednesday, 11 September
Delisting application letter lodged with the JSE for the delisting of the CAPPREC repurchased shares	Wednesday, 11 September
Expected termination of listing of CAPPREC shares repurchased on the JSE at the commencement of trading on or about	Thursday, 12 September

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### Notes:

1. All dates and times are subject to change. Any change will be released on SENS and published in the press.
2. Shareholders are referred to **Annexure 4** of this Circular (which contains (amongst other things) a summary of the dissenting shareholders' appraisal rights) regarding rights accorded to CAPPREC Shareholders.
3. CAPPREC Shareholders should note that as transactions in shares are settled in the electronic settlement system used by Strate, settlement of trades takes place three business days after such trade. Therefore, persons who acquire CAPPREC shares after the last day to trade will not be eligible to vote at the General Meeting.
4. If a form of proxy is not received by the time and date shown above, or not less than 48 hours before recommencement of any adjourned or postponed meeting, it may be handed to the Chairman of the General Meeting not later than ten minutes before the General Meeting is due to commence or recommence.
5. All times given in this Circular are local times in South Africa.

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## DEFINITIONS AND INTERPRETATIONS

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Throughout this Circular and the annexures hereto, unless otherwise stated, the words in the first column have the meanings assigned to them in the second column, words in the singular include the plural and *vice versa*, words importing natural persons include corporations and associations of persons and *vice versa* and any reference to a gender includes the other genders.

<b>“2017 Transaction”</b>	the transaction completed on or around May 2017, in terms of which, amongst other things, CAPPREC acquired African Resonance, Dashpay and Synthesis;
<b>“2019 Restraint and Relationship Agreement”</b>	the agreement dated 9 June 2019 entered into between Dr Neishlos, Eitan Neishlos, MR Pimstein, MI Sacks, BJ Sacks, AC Salomon, Wayne Fagan, Edmund Pieterse and CAPPREC and further described in paragraph 5.3 of this Circular;
<b>“African Resonance”</b>	African Resonance Business Solutions Proprietary Limited (registration number 1998/016632/07) a company incorporated in accordance with the laws of South Africa, a wholly owned subsidiary of CAPPREC;
<b>“BDO” or “Independent Expert”</b>	BDO South Africa Incorporated (registration number 1995/002310/21), registered auditors and a firm of chartered accountants (CA);
<b>“Board” or “Directors”</b>	the board of directors of the Company whose names appear on page 8 of the Circular;
<b>“Business Day”</b>	any day other than a Saturday, Sunday or official public holiday in South Africa and Australia;
<b>“CAPPREC Repurchase”</b>	the proposed repurchase by CAPPREC from the Relevant Persons of 245 million CAPPREC shares pursuant to the Share Repurchase Agreements;
<b>“CAPPREC” or “the Company”</b>	Capital Appreciation Limited (registration number 2014/253277/06), a public company incorporated in accordance with laws of the South Africa;
<b>“Castlebridge Termination Agreement”</b>	the agreement dated 9 June 2019 entered into between African Resonance and Castlebridge Professional Services Limited (registration number 1903342), a company incorporated in accordance with the laws of the British Virgin Islands and further described in paragraph 5.1 of this Circular;
<b>“CCV”</b>	Centric Capital Ventures LLC (employer identification number 13-4104540), a company incorporated in accordance with the laws of the state of Delaware;
<b>“Certificated Shareholders”</b>	CAPPREC Shareholders who have not dematerialised their shares, title to which is represented by a share certificate or other physical document of title;
<b>“Closing Date”</b>	5 (five) business days following the date on which the last of the Conditions has been fulfilled or waived, as the case may be;
<b>“Companies Act”</b>	the Companies Act, 2008 (Act 71 of 2008), as amended;
<b>“Conditions”</b>	the conditions set out in the Umbrella Agreement and referred to in paragraph 6;
<b>“CSDP”</b>	Central Securities Depository Participant, appointed by a Shareholder for purposes of, and in regard to dematerialisation and to hold and administer securities on behalf of a Shareholder;
<b>“Dashpay”</b>	Dashpay Proprietary Limited (registration number 2011/008978/07), a company incorporated in accordance with the laws of South Africa, a wholly owned subsidiary of CAPPREC;
<b>“Dematerialisation”</b>	the process by which certificated shares are converted to an electronic form as uncertificated shares and recorded in the sub-register of Shareholders maintained by a CSDP or broker;
<b>“Dematerialised Shareholders”</b>	CAPPREC Shareholders who have dematerialised their CAPPREC shares in terms of Strate;

<b>“Dissenting Shareholder”</b>	the CAPPREC shareholders who validly exercise their appraisal rights by, among other things, objecting to the Special Resolution by demanding, in terms of sections 164(5) and 164(8) of the Companies Act, that CAPPREC pay to them the fair value of their shares;
<b>“Documents of title”</b>	share certificates and/or certified transfer deeds and/or balance receipts or any other document of title in respect of CAPPREC shares;
<b>“Dr Neishlos”</b>	Dr Hanoch Neishlos;
<b>“Dvash Share Purchase Agreement”</b>	the share and claims sale and purchase agreement dated 9 June 2019 entered into between Dvash and CAPPREC pursuant to the Transaction and further described in paragraph 4.2 of this Circular;
<b>“Dvash”</b>	Dvash Holdings Proprietary Limited (registration number ACN604985239), a company incorporated in accordance with the laws of Australia, and associated with Eitan Neishlos;
<b>“E Neishlos Share Acquisition Agreement”</b>	the share repurchase agreement dated 9 June 2019 entered into between Eitan Neishlos and CAPPREC pursuant to the Transaction and further described in paragraph 3.2.2 of this Circular;
<b>“E Pieterse Share Acquisition Agreement”</b>	the share repurchase agreement dated 9 June 2019 entered into between Edmund Pieterse and CAPPREC pursuant to the Transaction and further described in paragraph 3.2.4 of this Circular;
<b>“General Meeting”</b>	the General Meeting of CAPPREC Shareholders to be held at 14:30 on Tuesday, 27 August 2019 (including any adjournment or postponement thereof) at the registered office of CAPPREC being 1st Floor, 61 Katherine Street, Sandton, 2196 the purpose of considering and if deemed fit, passing the Special Resolution;
<b>“Group” or “CAPPREC Group”</b>	CAPPREC and its subsidiaries;
<b>“H Neishlos Mutual Separation and Settlement Agreement”</b>	the agreement dated 9 June 2019 entered into between H Neishlos and African Resonance and further described in paragraph 5.4 of this Circular;
<b>“H Neishlos Share Acquisition Agreement”</b>	the share repurchase agreement dated 9 June 2019 entered into between Dr Neishlos and CAPPREC pursuant to the Transaction and further described in paragraph 3.2.1 of this Circular;
<b>“IFRS”</b>	International Financial Reporting Standards;
<b>“Independent Board”</b>	the CAPPREC independent board of Directors, constituted in terms of the Takeover Regulations, comprising E Kruger, B Bulo, DK Dlamini, JM Kahn, R Morar, VM Sekese and CL Valkin, constituted for the purpose of the Transaction, as contemplated in Regulation 108 of the Takeover Regulations;
<b>“JSE Listings Requirements”</b>	the JSE Listings Requirements, as amended by the JSE from time to time;
<b>“JSE”</b>	JSE Limited (registration number 2005/022939/06), licensed as an exchange under the Financial Markets Act, 2012 (Act 19 of 2012), as amended, and a public company incorporated in accordance with the laws of South Africa;
<b>“L&amp;P Termination Agreement”</b>	the agreement dated 9 June 2019 entered into between CAPPREC, Dr Neishlos and CCV and further described in paragraph 5.2 of this Circular;
<b>“Last Practical Date”</b>	the last practical date for finalisation of this Circular, being Thursday, 25 July 2019;
<b>“Legal Advisor”</b>	Bowman Gilfillan Incorporated (registration number 1998/021409/21);
<b>“Loan Confirmation”</b>	the agreement entered into on or about 6 May 2017 between Dr Neishlos and the Company relating to the shareholder loan (including interest) owed by Dr Neishlos to African Resonance. Assuming the Transaction is concluded, interest on the loan will accrue until the earlier of the Closing Date or 90 days after the signature date of the relevant Share Repurchase Agreement to which Dr Neishlos and the Company were both parties;

<b>“Long-stop Date”</b>	31 October 2019 or such other date and time as Dr Neishlos, African Resonance and CAPPREC may agree upon in writing (on one or more occasions);
<b>“New Uplink IP Assignment Agreement”</b>	the sale of business and termination agreement dated 9 June 2019 entered into between African Resonance and Uplink and further described in paragraph 4.3 of this Circular;
<b>“New Uplink Licence and Services Agreement”</b>	the licence and services agreement dated 9 June 2019 entered into between Dashpay and Uplink and further described in paragraph 4.4 of this Circular;
<b>“Non-Independent Shareholders”</b>	Shareholders excluded from voting on the Special Resolution in terms of: (i) section 115(4) of the Companies Act; and (ii) section 5.69(b) of the JSE Listings Requirements;
<b>“RA Transaction”</b>	CAPPREC disposing of its 17.45% minority interest in Resonance Australia and its claim on loan account (in the amount of AUD500 000) for an aggregate of R40 million to Dvash in terms of the Dvash Share Purchase Agreement;
<b>“Register”</b>	the securities register maintained on behalf of the Company by Computershare;
<b>“Relevant Person”</b>	each of the following individuals, Dr Neishlos, Eitan Neishlos, Wayne Fagan and Edmund Pieterse (and collectively the “Relevant Persons”) that have the following relationship to the Transaction: (i) Dr Neishlos, the primary vendor of African Resonance to CAPPREC in 2017, is a director of CAPPREC; (ii) Eitan Neishlos is the son of Dr Neishlos and a non-executive director of CAPPREC; (iii) Fagan and Pieterse were initial vendors in the sale of African Resonance to CAPPREC in 2017; (iv) Fagan is currently an executive with and a minority shareholder in Resonance Australia; and (v) Pieterse is a shareholder of Uplink, as further described in paragraph 4.1;
<b>“Resonance Australia”</b>	Resonance Australia Proprietary Limited, (registration number ACN 154 495 968), a company incorporated in accordance with the laws of Australia and owned by: (i) CAPPREC, as to 17.45% (all percentage interests are before the Transaction); (ii) MPC Nominees Proprietary Limited, as to 17.45%; (iii) PAW Custodians Proprietary Limited, as to 7.94%; and (iv) Dvash, as to 57.16%, comprising 100% of the total issued shares in Resonance Australia;
<b>“SENS”</b>	the Stock Exchange News Service of the JSE;
<b>“Settlement Agreement”</b>	the agreement dated 9 June 2019 entered into between, CAPPREC, Dashpay, African Resonance, Castlebridge Professional Services Limited, Castledash Investment Holdings Limited (registration number HE 353446), Uplink, Dr Neishlos, Eitan Neishlos, Wayne Fagan and Edmund Pieterse and further described in paragraph 5.5 of this Circular;
<b>“Share Repurchase Agreements”</b>	collectively, the H Neishlos Share Acquisition Agreement, E Neishlos Share Acquisition Agreement, E Pieterse Share Acquisition Agreement and W Fagan Share Acquisition Agreement, in terms of which CAPPREC has agreed to repurchase all the CAPPREC shares held by each Relevant Person which in aggregate total 245 million CAPPREC shares;
<b>“Small Related Party Transaction”</b>	the RA Transaction and the Uplink Transaction;
<b>“South Africa”</b>	the Republic of South Africa;
<b>“Special Resolution”</b>	Special Resolution Number 1 to approve the Transaction to be proposed at the General Meeting, the full terms of which resolution are set out in Special Resolution Number 1 in the notice of General Meeting attached to and forming part of this Circular;
<b>“Strate”</b>	Strate Proprietary Limited (registration number 1998/022242/07), a private company which is registered in terms of the Financial Markets Act, 2012 (Act 19 of 2012), as amended, responsible for the electronic settlement system of the JSE;
<b>“Synthesis”</b>	Synthesis Software Technologies Proprietary Limited (registration number 2000/007160/07), a company incorporated in accordance with the laws of South Africa, a wholly-owned subsidiary of CAPPREC;
<b>“Takeover Regulations”</b>	the Takeover Regulations promulgated in terms of section 120 of the Companies Act, as amended;



<b>“the/this Circular”</b>	this Circular to CAPPREC Shareholders dated Monday, 29 July 2019, and the annexures hereto and including the notice of General Meeting and the form of proxy;
<b>“Transaction Agreements”</b>	(i) Umbrella Agreement; (ii) Share Repurchase Agreements; (iii) Dvash Share Purchase Agreement; (iv) New Uplink IP Assignment Agreement; (v) New Uplink Licence and Services Agreement; (vi) H Neishlos Mutual Separation and Settlement Agreement; (vii) Castlebridge Termination Agreement; (viii) Settlement Agreement; (ix) 2019 Restraint and Relationship Agreement; and (x) L&P Termination Agreement;
<b>“Transaction”</b>	the transactions contemplated under the Transaction Agreements, including the CAPPREC Repurchase and the Small Related Party Transaction;
<b>“Transfer Secretaries” or “Computershare”</b>	Computershare Investor Services Proprietary Limited (registration number 2004/003647/07), a private company incorporated in accordance with the laws of South Africa, full details of which are set out in the “ <i>Corporate Information</i> ” section;
<b>“TRP”</b>	the Takeover Regulation Panel established in terms of section 196 of the Companies Act;
<b>“Umbrella Agreement”</b>	shall have the meaning ascribed in paragraph 1 of this Circular and comprising the remaining Transaction Agreements;
<b>“Uplink Transaction”</b>	the transactions contemplated under the New Uplink IP Assignment Agreement and the New Uplink Services and Licence Agreement and further described in paragraphs 4.3 and 4.4;
<b>“Uplink”</b>	Uplink Technology Services Proprietary Limited (registration number 2005/005320/07), a company incorporated in accordance with the laws of South Africa, which is owned and controlled by Dr Neishlos, as to 65% and Edmund Pieterse, as to 35%, comprising 100% of the issued shares in Uplink;
<b>“Voting Record Date”</b>	the day on which CAPPREC Shareholders must be registered in the register in order to vote at the General Meeting;
<b>“VWAP”</b>	volume weighted average price at which CAPPREC shares traded over the 30-day period prior to signature of the share purchase agreement; and
<b>“W Fagan Share Acquisition Agreement”</b>	the share repurchase agreement dated 9 June 2019 entered into between Wayne Fagan and CAPPREC pursuant to the Transaction and further described in paragraph 3.1.3 of this Circular.



# CAPITAL APPRECIATION

## CAPITAL APPRECIATION LIMITED

(Incorporated in the Republic of South Africa)  
(Registration number 2014/253277/06)  
JSE share code: CTA ISIN: ZAE000208245

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### Directors of CAPPREC

#### Executive

MR Pimstein (*Joint Chief executive*)  
BJ Sacks (*Joint Chief executive*)  
AC Salomon (*Chief Financial Officer*)  
MB Shapiro (*Executive Director*)

#### Non-executive

MI Sacks (*Chairman*)  
B Bulo\*  
DK Dlamini\*  
JM Kahn\*  
E Kruger\*  
E Neishlos  
Dr H Neishlos  
R Morar\*  
VM Sekese\*  
CL Valkin\*

\*Independent

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## CIRCULAR TO CAPPREC SHAREHOLDERS

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### I. INTRODUCTION

On 10 and 18 June 2019 CAPPREC announced on SENS that it had concluded an agreement (the “**Umbrella Agreement**”) with Dr H Neishlos (the principal vendor of African Resonance to CAPPREC in connection with the 2017 Transaction) pursuant to which the following matters are intended to be implemented on the Closing Date:

- CAPPREC will acquire all the CAPPREC shares owned by the Relevant Persons, being 245 million shares in aggregate, further described and for the amount referred to in paragraph 3;
- African Resonance, a wholly owned subsidiary of CAPPREC, will acquire from Uplink and license from Uplink certain intellectual property for R5 million, further described in paragraph 4.1, 4.3 and 4.4;
- CAPPREC will sell to Dvash its 17.45% minority interest in Resonance Australia, and its claim on loan account, for R40 million, further described in paragraphs 4.1 and 4.2;
- Dr Neishlos’ employment contract with African Resonance will be terminated early, which agreement was initially intended to expire on 30 April 2020, further described in paragraphs 5.1 and 5.2;
- the resignation of Dr Neishlos and Eitan Neishlos from the Board of CAPPREC; and
- the dissolution of other related party contracts and services relationships that formed part of the initial terms of acquisition, including usual and customary termination of the parties’ respective rights and obligations and waiver of any settlement claims and obligations related thereto.

Upon completion of the Transaction: (i) CAPPREC will continue to own 100% of African Resonance, 100% of Dashpay and 100% of Synthesis, the three entities CAPPREC acquired in connection to the 2017 Transaction; and (ii) CAPPREC will own the intellectual property acquired from Uplink as part of the Transaction. There are no early termination or other remuneration payments to be paid to either Dr Neishlos or Eitan Neishlos as part of this Transaction.

The purpose of this Circular is to provide CAPPREC Shareholders with information relating to the Transaction as set out in this Circular and the attached notice of General Meeting at which Shareholders will be asked to approve the Special Resolution. The Circular also provides Shareholders with the requisite information related to the Small Related Party Transaction.

## 2. RATIONALE FOR THE TRANSACTION

The Transaction was triggered, *inter alia*, by the Group's desire to gain ownership and control, for its use, over the intellectual property previously licensed to the Group by Uplink, and the parties' desire to terminate the parties' rights and obligations under, and dissolve other related party contracts and services relationships that formed part of, the initial terms of acquisition (see paragraph 6). As part of the transactions regarding Resonance Australia and Uplink it was agreed that, in addition to the shares held by Dr Neishlos, Capital Appreciation would acquire the CAPPREC shares held by the other Relevant Persons. The Uplink Transaction also contemplates the transfer and direct employment by the Group of certain key developers who will now focus exclusively on the technology needs of the Group's payments businesses and that of its clients. The costs of these developers were previously borne by the Group under a contract that will be terminated as part of the Transaction. Thus, the Group should incur no incremental operating costs associated with the direct employment of these personnel. This focused attention is expected to enhance the Group's commercial initiatives. Furthermore, the shares acquired through the CAPPREC Repurchase will be cancelled and is expected to result in a positive impact on future earnings per share.

## 3. TERMS OF THE CAPPREC REPURCHASE

### 3.1 Salient features of the CAPPREC Repurchase

In terms of the Share Repurchase Agreements, subject to the fulfilment or waiver, as applicable, of the Conditions, CAPPREC will purchase at 80 cents per share: (i) 204.5 million CAPPREC shares from Dr Neishlos for a total gross purchase consideration of R163.6 million; and (ii) 40.5 million CAPPREC shares from the other Relevant Persons for total gross purchase consideration of R32.4 million (total gross purchase consideration is R196 million) as outlined below:

Name	Price per share	Number of shares	Purchase price
Edmund Pieterse	80 cents	12 750 000	R10 200 000
Wayne Fagan	80 cents	12 750 000	R10 200 000
Eitan Neishlos	80 cents	15 000 000	R12 000 000
<b>Total</b>		<b>40 500 000</b>	<b>R32 400 000</b>

The 204.5 million CAPPREC shares purchased from Dr Neishlos directly are on a *cum div* basis and the gross purchase consideration payable to Dr Neishlos will be reduced by the after-tax value of the dividend that was paid to CAPPREC shareholders, including Dr Neishlos, on or about 8 July 2019. Therefore, the effective net purchase price of the shares to be acquired from Dr Neishlos is R160.3 million or 78.4 cents per share. Concurrent with the completion of the Transaction, Dr Neishlos will use a portion of the proceeds he receives from the sale of his CAPPREC shares to discharge the Loan Confirmation he has in favour of African Resonance. The principal amount under the Loan Confirmation is R16.1 million, with an amount of approximately R19.7 million outstanding and to be discharged by Dr Neishlos using the proceeds as aforementioned.

The purchase price of 80 cents per share represents a 4% premium to the 30-day VWAP (77 cents) prior to the date that the Share Repurchase Agreements were signed (and a 3% premium to the closing price of CAPPREC on the day prior to the Last Practical Date (78 cents)). The premium with respect to the effective net purchase price of the CAPPREC shares purchased from Dr Neishlos is 2% to the 30-day VWAP prior to the date that the Share Repurchase Agreements were signed (and a 0.51% premium to the closing price of CAPPREC on the day prior to the Last Practical Date).

The consideration payable for the CAPPREC Repurchase will be discharged out of available cash resources. On implementation of the CAPPREC Repurchase all the shares subject to the repurchase will be delisted from the JSE and cancelled.

A fairness opinion is required in accordance with the JSE Listings Requirements as Dr Neishlos and Eitan Neishlos amount to "related persons" under the JSE Listings Requirements. The Company has appointed BDO, a JSE approved Independent Expert to provide a fairness opinion on the CAPPREC Repurchase.

As the CAPPREC Repurchase will result in CAPPREC acquiring in excess of 5% of CAPPREC's issued share capital, the CAPPREC Repurchase is subject to the provisions of sections 48, 114 and 115 of the Companies Act and Takeover Regulations. Accordingly, the Company has appointed the Independent Expert to provide a report in compliance with section 114(3) of the Companies Act. The Independent Expert's report is set out in **Annexure I**.

## 3.2 The Share Repurchase Agreements

The Share Repurchase Agreements comprise, the H Neishlos Share Acquisition Agreement, E Neishlos Share Acquisition Agreement, W Fagan Share Acquisition Agreement and E Pieterse Share Acquisition Agreement.

### 3.2.1 **H Neishlos Share Acquisition Agreement**

As discussed in paragraph 3.1 above, in terms of the H Neishlos Share Acquisition Agreement, CAPPREC will purchase 204.5 million CAPPREC shares from Dr Neishlos for R163.6 million, subject to a mutually agreed reduction of 1.6 cents per CAPPREC share taking into account the after-tax value of the dividend paid on or around 8 July 2019. Settlement of the repurchase contemplated under this agreement shall occur on the Closing Date. The remaining terms are customary for a transaction of this nature and include, amongst other things: (i) the resignation of Dr Neishlos as Director; and (ii) title warranties given by Dr Neishlos for the CAPPREC shares disposed of to CAPPREC.

### 3.2.2 **E Neishlos Share Acquisition Agreement**

As discussed in paragraph 3.1 above, in terms of the E Neishlos Share Acquisition Agreement, CAPPREC will purchase 15 million CAPPREC shares from Eitan Neishlos for R12 million (not subject to any adjustment similar in relation to the H Neishlos Share Acquisition Agreement). Settlement of the repurchase contemplated under this agreement shall occur on the Closing Date. The remaining terms are customary for a transaction of this nature and include, amongst other things: (i) the resignation of Eitan Neishlos as Director; and (ii) title warranties given by Eitan Neishlos for the CAPPREC shares disposed of to CAPPREC.

### 3.2.3 **W Fagan Share Acquisition Agreement**

As discussed in paragraph 3.1 above, in terms of the W Fagan Share Acquisition Agreement, CAPPREC will purchase 12.75 million CAPPREC shares from Wayne Fagan for R10.2 million (not subject to any adjustment similar in relation to the H Neishlos Share Acquisition Agreement). Settlement of the repurchase contemplated under this agreement shall occur on the Closing Date. The remaining terms are customary for a transaction of this nature and include, amongst other things, title warranties given by Wayne Fagan for the CAPPREC shares disposed of to CAPPREC.

### 3.2.4 **E Pieterse Share Acquisition Agreement**

As discussed in paragraph 3.1 above, in terms of the E Pieterse Share Acquisition Agreement, CAPPREC will purchase 12.75 million CAPPREC shares from Edmund Pieterse for R10.2 million (not subject to any adjustment similar in relation to the H Neishlos Share Acquisition Agreement). Settlement of the repurchase contemplated under this agreement shall occur on the Closing Date. The remaining terms are customary for a transaction of this nature and include, amongst other things, title warranties given by Edmund Pieterse for the CAPPREC shares disposed of to CAPPREC.

## 4. TERMS OF THE SMALL RELATED PARTY TRANSACTION

In terms of the JSE Listings Requirements, the Small Related Party Transaction, constitutes a transaction with a related party.

### 4.1 **Categories of “Related Parties”**

In terms of section 10.1(b) of the JSE Listings Requirements, Resonance Australia, Dvash and Uplink are “related parties” to CAPPREC and accordingly, the Small Related Party Transaction must comply with section 10.7 of the JSE Listings Requirements.

Resonance Australia is held by Dvash (with 57.16%), CAPPREC (with 17.45% before the Transaction), MPC Nominees Proprietary Limited (with 17.45%) and PAW Custodians Proprietary Limited (with 7.94%). Eitan Neishlos, being a Director of CAPPREC, is a sufficient controlling shareholder of Dvash. Eitan Neishlos is the son of Dr Neishlos, and is the Managing Director of Resonance Australia. Accordingly, Dvash and Resonance Australia are “related parties” in terms of section 10.1(b)(vii) of the JSE Listings Requirements.

Dr Neishlos, a Director of CAPPREC, is the controlling shareholder of Uplink and accordingly, Uplink constitutes a “related party” in terms of section 10.1(b)(vii) of the JSE Listings Requirements.

Further to the above in the context of the relationship between the remaining Relevant Persons and the Small Related Party Transaction, it is worth noting that: (i) Edmund Pieterse holds 35% of the shares in Uplink and Uplink provides services and technology to African Resonance; (ii) Wayne Fagan is an associate of PAW Custodians Proprietary Limited, which holds 7.94% in Resonance Australia.

The Small Related Party Transaction requires a fairness opinion in terms of Section 10.7 of the JSE Listings Requirements which has been incorporated in **Annexure I**.

#### 4.2 **Dvash Share Purchase Agreement**

Pursuant to the RA Transaction, CAPPREC agreed to dispose all of its shares in and claims against Resonance Australia, representing 17.45% of the total issued shares of Resonance Australia, to Dvash for R40 million (the book value of and purchase price for the claims being AUD500 000), in accordance with the Dvash Share Purchase Agreement. This transaction shall be completed on the Closing Date. The remaining terms are customary for a transaction of this nature and include, amongst other things: (i) Dvash depositing the purchase price in escrow prior to closing; and (ii) title warranties given by CAPPREC for the shares and claims disposed of to Dvash.

#### 4.3 **New Uplink IP Assignment Agreement**

Pursuant to the Uplink Transaction, with effect on the Closing Date, Uplink agreed to dispose of, to African Resonance, the “*Business*” (as such term is defined in the New Uplink IP Assignment Agreement) as a going concern in accordance with the New Uplink IP Assignment Agreement. The disposal of the “*Business*” included: (i) transfer of all rights, title and interest in all South African intellectual property rights in and to the software used in connection with the business of African Resonance in South Africa, including all rights in such non-public software such as know-how and trade secrets, and all related rights and powers arising in South Africa; (ii) the transfer of commercial customer agreements; and (iii) transfer of certain employees set out in Schedule 2 of the New Uplink IP Assignment Agreement. In addition to the disposal of the “*Business*” by Uplink to African Resonance, Uplink grants to African Resonance a royalty-free, perpetual licence to use such software in the rest of Africa, which licence is exclusive for a period of 24 months following the Closing Date. On expiry of the aforementioned 24 month period, the perpetual licence shall continue automatically on the same terms (without any further action required by African Resonance), save that the licence shall become non-exclusive. The price payable by African Resonance to Uplink under the New Uplink IP Assignment Agreement for the acquisition of the “*Business*” is R5 million. It is noted that African Resonance has agreed to pay an amount of approximately R1.3 million per month to Uplink for the interim period between the signature date of this agreement and Closing Date, in order to ensure continuity of certain services that are presently provided by Uplink to African Resonance and which will be performed by African Resonance itself after the Closing Date. No other amounts are payable by African Resonance to Uplink during this interim period and after the Closing Date. Any services Uplink may perform for African Resonance will be done on an arms-length basis. Other salient terms of the New Uplink IP Assignment include, among other things: (i) the termination of an existing licence and services agreement entered into between, amongst others, Uplink and African Resonance; (ii) a restraint prohibiting Uplink from conducting a business competing, directly or indirectly, with African Resonance within South Africa for 36 months from the Closing Date and within the rest of Africa for 24 months from the Closing Date; (iii) the cession and delegation of designated customer agreements to African Resonance as referred to above; and (iv) provisions regarding transfer of specified personnel from Uplink to African Resonance as referred to above.

#### 4.4 **New Uplink Licence and Services Agreement**

Pursuant to the Uplink Transaction, with effect on the Closing Date, Uplink (as licensor) agreed to license on a perpetual basis, to Dashpay (as licensee), amongst other things, the rights to use in South Africa and all intellectual property rights in connection with the “*Stratagem*” software (including the source code thereof and all related developments, but excluding the “*Trade Marks*” (as such term is defined in the New Uplink Licence and Services Agreement)), in accordance with the New Uplink Licence and Services Agreement. Other salient terms include, amongst other things: (i) the provision of maintenance and development services to Dashpay for a period of 12 months from the Closing Date (in relation to which there is no consideration payable) and for such longer period as may be agreed; (ii) negotiated interim period undertakings for services to be provided by Uplink to Dashpay following the signature date and prior to the Closing Date (in relation to which no additional consideration is payable over and above the amount paid by African Resonance to Uplink in the New Uplink IP assignment Agreement); (iii) the termination of previous agreements between Uplink and Dashpay relating to the Stratagem software; (iv) that the licence granted to Dashpay is perpetual and royalty free (no other consideration is payable); (v) that Uplink may be requested to provide services to Dashpay on an arms-length basis; and (vi) other customary terms for a transaction of this nature.

Once the Transaction is complete there will be no common ownership, directorship or executive function between Uplink and Group companies and all dealings, if any, between the Group and Uplink will be on an arm’s-length basis.

## 5. **OTHER TRANSACTIONS**

As part of the Transaction, various other existing agreements in connection with the 2017 Transaction between the Group and Dr Neishlos (directly, or indirectly through affiliated persons) will be terminated (for no additional compensation or consideration). The Group and Dr Neishlos (directly, or indirectly through affiliated persons) have varied such existing agreements in light of the Transaction. Furthermore, the Group and Dr Neishlos (directly, or indirectly through affiliated persons) have entered into new agreements in relation to the settlement of reciprocal claims and obligations. We address treatment of each of these agreements below.

### 5.1 **Castlebridge Termination Agreement**

African Resonance and Castlebridge Professional Services Limited entered into the Castlebridge Termination Agreement, in terms of which the service agreement entered into between them dated 16 February 2017 shall terminate with effect on the Closing Date.

### 5.2 **L&P Termination Agreement**

CAPPREC, Dr Neishlos and CCV entered into the L&P Termination Agreement, in terms of which, the lock-in and pre-emptive rights agreement entered into between them dated 16 February 2017 shall terminate with effect on the Closing Date.

### 5.3 **2019 Amendment to Restraint and Relationship Agreement**

Dr Neishlos, Eitan Neishlos, MR Pimstein, MI Sacks, BJ Sacks, AC Salomon, Wayne Fagan, Edmund Pieterse and CAPPREC entered into the 2019 Amendment to Restraint and Relationship Agreement, in terms of which, certain provisions of the relationship agreement entered into between them dated 16 February 2017 (such provisions being no longer relevant given the Transaction) were terminated with effect on the Closing Date. The restraint provisions in the prior agreements remain unaffected and persist for two years from the date that the Transaction is concluded.

### 5.4 **H Neishlos Mutual Separation and Settlement Agreement**

African Resonance and Dr Neishlos entered into the H Neishlos Mutual Separation and Settlement Agreement in terms of which, amongst other things, with effect on the Closing Date: (i) Dr Neishlos shall resign from African Resonance and his employment contract dated 16 February 2017 shall terminate; and (ii) African Resonance and Dr Neishlos waive any reciprocal claims in connection with Dr Neishlos' employment relationship.

### 5.5 **Settlement Agreement**

CAPPREC amongst other parties described in the definition of Settlement Agreement entered into the Settlement Agreement in terms of which, amongst other things, with effect on the Closing Date CAPPREC and the parties described in the Settlement Agreement waive any claims against each other, including any claims in connection with the 2017 Transaction, except with respect to warranty and indemnity provisions in favour of CAPPREC under the 2017 Transaction agreements that have not yet expired.

## 6. **CONDITIONS PRECEDENT**

The Transaction is subject to the fulfilment or waiver, as applicable, of the following Conditions by the Long-stop Date (unless otherwise specified):

- 6.1 The shareholders of Capital Appreciation, at the General Meeting, pass all shareholder resolutions necessary to approve the Transaction, to the extent necessary, in terms of the Companies Act and JSE Listings Requirements, including:
  - all resolutions necessary to approve and implement the CAPPREC Repurchase in terms of section 48(8) (read with sections 114 and 115) of the Companies Act and, if the provisions of section 115(2)(c) of the Companies Act become applicable:
    - the approval of the CAPPREC Repurchase by the High Court; and
    - if applicable, Capital Appreciation not treating any resolutions relating to the CAPPREC Repurchase as a nullity as contemplated in section 115(5)(b) of the Companies Act;

- 6.2 In relation to any objection to the resolution relating to the CAPPREC Repurchase by voting shareholders of Capital Appreciation, either:
- such voting shareholders of Capital Appreciation give notice objecting to the CAPPREC Repurchase as contemplated in section 164(3) of the Companies Act, and the number of votes exercised against that resolution at the General Meeting is no more than 2% (two per cent) of all of the issued shares in Capital Appreciation eligible to be voted on; or
  - if the circumstances contemplated immediately above arise, voting shareholders of Capital Appreciation have not exercised appraisal rights, by giving valid demands in terms of sections 164(5) to 164(8) of the Companies Act, in respect of more than 2% (two per cent) of all of the issued shares in Capital Appreciation eligible to be voted on within 30 business days following the General Meeting.
- 6.3 All Clearances required to affect the Transaction are granted (either unconditionally or subject to conditions reasonably acceptable to Capital Appreciation), including without being limited to:
- all approvals required from the South African Reserve Bank in terms of the South African Exchange Control Regulations (promulgated in terms of the South African Currency and Exchanges Act, 9 of 1933);
  - all approvals required from the JSE in connection with the Transaction; and
  - the TRP issuing a compliance certificate for the Transaction in terms of section 121(b) of the Companies Act.

## 7. **VOTING REQUIREMENTS**

### **Voting requirement in terms of the JSE Listings Requirements**

In terms of the JSE Listings Requirements, Dr Neishlos, Eitan Neishlos, Wayne Fagan and Edmund Pieterse will be participating in the CAPPREC Repurchase, therefore, they and their associates will be excluded from voting on the Special Resolution.

The Special Resolution will, in terms of the JSE Listings Requirements, require support of at least 75% of the voting rights exercised thereon at the General Meeting by the Shareholders present in person or represented by proxy, excluding the votes of the persons not entitled to vote as referred to above, to be approved.

### **Voting requirement in terms of the Companies Act**

In order for the Special Resolution to approve the implementation of the CAPPREC Repurchase to be adopted, the support of at least 75% of the total number of votes exercisable by Shareholders, excluding Dr Neishlos, Eitan Neishlos, Wayne Fagan and Edmund Pieterse (including each of their associates) is required. A quorum for the purposes of considering the Special Resolution shall comprise 25% of the total number of votes exercisable by shareholders, excluding the Relevant Persons (Dr Neishlos, Eitan Neishlos, Wayne Fagan and Edmund Pieterse) and each of their associates.

## 8. **SOLVENCY AND LIQUIDITY**

The CAPPREC Repurchase will be funded out of the Group's available cash resources.

A resolution has been passed by the Board in terms of section 46 of the Companies Act that having applied the solvency and liquidity test as set out in section 4 of the Companies Act (the "solvency and liquidity test"), it has satisfied itself that at the date of the resolution being passed that it reasonably appears, and it has thus reasonably concluded, that the Company will satisfy the solvency and liquidity test, immediately after implementation of the CAPPREC Repurchase.

The Directors, having considered the effect of the CAPPREC Repurchase, consider that there are reasonable grounds for believing that:

- the Company and the Group will be able, in the ordinary course of business, to pay their debts for a period of 12 months after the date of issue of this Circular;
- the assets of the Company and the Group will be in excess of the liabilities of the Company and the Group for a period of 12 months after the date of issue of this Circular. For this purpose, the assets and liabilities have been recognised and measured in accordance with the accounting policies used in the latest audited Group financial statements;
- the ordinary capital and reserves of the Company and the Group shall be adequate for ordinary business purposes for a period of 12 months after the date of issue of this Circular; and
- the working capital of the Company and the Group shall be adequate for ordinary business purposes for a period of 12 months after the date of issue of this Circular.

## 9. OPINIONS AND RECOMMENDATIONS

The Board constituted the Independent Board in accordance with the Companies Act and Takeover Regulations.

The Independent Board has appointed the Independent Expert (which meets the requirements set out in section 114(2) of the Companies Act and the JSE Listings Requirements) to advise it on the Transaction and to compile a report in terms of section 114 of the Companies Act to the Independent Board concerning the Transaction. Furthermore, as required in terms of the JSE Listings Requirements, the Board is required to obtain an opinion from an independent expert acceptable to the JSE regarding the fairness of the Transaction to Shareholders. Accordingly, the Independent Board has appointed the Independent Expert to provide the requisite opinions.

The Independent Expert has considered the terms and conditions of the Transaction and is of the opinion that the terms and conditions of the Transaction are fair and reasonable to shareholders.

The Independent Board, taking into account the opinion of the Independent Expert, has considered the terms and conditions of the Transaction and is of the opinion that the terms and conditions are fair and reasonable to shareholders.

The Directors entitled to vote intend exercising the voting rights of the CAPPREC shares held or controlled by them in favour of the Special Resolution set out in the notice of General Meeting.

For reasons outlined in paragraph 2 of the Circular and given the fairness opinions provided by the Independent Expert, the Directors recommend that Shareholders vote their shares in favour of the Special Resolution set out in the notice of General Meeting.

## 10. SHARE CAPITAL OF CAPPREC

**The authorised and issued share capital of the Group at the Last Practical Date before the CAPPREC Repurchase is as follows:**

*Authorised*

10 000 000 000 ordinary shares of no par value

*Issued*

1 555 000 000 ordinary shares of no par value

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**The authorised and issued share capital of the Group after the CAPPREC Repurchase is expected to be as follows:**

*Authorised*

10 000 000 000 ordinary shares of no par value

*Issued*

1 310 000 000 ordinary shares of no par value

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There are 63 642 000 treasury shares in issue.

All the authorised and issued shares rank *pari passu* in every respect.

The unissued shares are under the control of the Directors subject to the provisions of the Companies Act and the JSE Listings Requirements.

## 11. PRO FORMA FINANCIAL EFFECTS OF THE TRANSACTION

The *pro forma* income statement and the *pro forma* statement of financial position showing the effects of the Transaction on CAPPREC's published results for the year ended 31 March 2019 are set out in **Annexure 2** to this Circular.

The reporting accountant's report on the *pro forma* financial information is set out in **Annexure 3** to this Circular.

As at the 31 March 2019, the aggregate book value of the associate share interest in and loan to Resonance Australia amounted to R31.5 million, represented by the investment in associate of R26.4 million and the loan to associate of R5.1 million respectively. The proceeds of the disposal will result in a recoupment of attributable losses previously accounted for of R3.4 million and a capital gain of R5.0 million.

At 31 March 2019, CAPPREC had significant free cash resources amounting to R611.2 million. The net aggregate cash outflow applicable to the Transaction will amount to approximately R138.0 million and this will be settled from the existing cash resources of the Group.



R138.0 million is derived from the CAPPREC Repurchase aggregate consideration of R196 million (described in paragraph 3.1), plus R5 million in respect of the consideration under the Uplink Transaction (described in paragraph 5.3, less R40 million in respect of the consideration under the RA Transaction (described in paragraph 4.2), less approximately R19.7 million utilised by Dr Neishlos to discharge the outstanding amount under the Loan Confirmation (described in paragraph 3.1), and less R3.3 million being the dividend indirectly refunded to CAPPREC by Dr Neishlos (described in paragraph 3.1 and 3.2.1).

The audited annual financial statements of CAPPREC for the years ended 31 March 2019, 31 March 2018 and 31 March 2017 are available on the following website of the Company at: [www.capitalappreciation.co.za/investor/reporting](http://www.capitalappreciation.co.za/investor/reporting); and at the registered office of CAPPREC (see *Corporate Information* on the inside front cover of this Circular) for inspection as referred to in paragraph 22 of this Circular.

## 12. MAJOR BENEFICIAL SHAREHOLDERS

Insofar as is known to CAPPREC, the name of any Shareholder, other than a Director, that, directly or indirectly, is beneficially interested in 5% or more of CAPPREC shares, together with the amount of each such Shareholder's interest is set out in the table below:

Shareholder	Before the Transaction % held 2019	After the Transaction
Government Employees Pension Fund	21.44	25.45
Dr Neishlos	13.15	–
<b>Total</b>	<b>34.59</b>	<b>25.45</b>

## 13. IRREVOCABLE UNDERTAKINGS

As at the Last Practical Date, the following Shareholders have provided written indications of support indicating that they intend to vote in favour of the Special Resolution:

Name of Shareholder	Number of shares held	% of Total Shares Eligible to Vote*
Capital Appreciation Empowerment Trust	75 000 000	6.0
B Sacks**	70 833 333	5.7
M Pimstein**	59 003 542	4.7
A Salomon**	56 903 542	4.6
M Sacks**	44 073 750	3.5
J Shepherd	26 800 000	2.2
M Shapiro**	19 175 000	1.5
T Wells	11 000 000	0.9
J Kahn**	3 600 000	0.3
S Basson	3 025 000	0.2
<b>Total</b>	<b>369 414 167</b>	<b>29.6</b>

\* Based on there being 1 246 358 000 CAPPREC shares eligible to vote.

\*\* Director of CAPPREC.

In the six months preceding the date of the Share Repurchase Agreements and ending on the Last Practical Date, none of the Directors or other CAPPREC shareholders mentioned in this Circular have traded in CAPPREC shares.

#### 14. DIRECTORS' INTERESTS IN CAPPREC SHARES AND ARRANGEMENTS

The table below sets out the direct and indirect beneficial holdings of shares by the Directors (and their associates) in the share capital of the Company as at the Last Practical Date.

Director	Before the Transaction Number of ordinary shares	% Holding <sup>^</sup>	After the Transaction Number of ordinary shares	% Holding <sup>^^</sup>
J Kahn	3 600 000	*	3 600 000	*
R Morar	100 000	*	100 000	*
E Neishlos <sup>#</sup>	15 000 000	0.97	–	
H Neishlos <sup>#</sup>	204 500 000	13.15	–	
MR Pimstein	59 003 542	3.79	59 003 542	4.50
B Sacks	70 833 333	4.56	70 833 333	5.41
M Sacks	44 073 750	2.83	44 073 750	3.36
A Salomon	56 903 542	3.66	56 903 542	4.34
M Shapiro	19 175 000	1.23	19 175 000	1.46
C Valkin	250 000	*	250 000	*
<b>Total</b>	<b>473 439 167</b>	<b>30.45</b>	<b>253 939 167</b>	<b>19.38</b>

#### Notes:

1. Dr D Matjila and Ms M Mokoka were non-executive directors who resigned from the Board during the past 18 months, but neither held any shares in CAPPREC.
2. There have been no changes in Directors' holdings between the preceding financial year being 31 March 2019 and the date of this Circular.
3. <sup>#</sup> As a result of the Transaction Dr H Neishlos and E Neishlos will resign as Directors of the Board.
4. <sup>^</sup> Based on 1 555 000 000 shares and <sup>^^</sup> based on 1 310 000 000 shares.
5. \* Indicates an ownership interest of less than 0.3%.

There are no material provisions of an abnormal nature in respect of the Directors' service contracts which require specific disclosure.

Save as described in this Circular, no service contracts have been entered into or have been amended in the six months before the Last Practicable Date.

Save as described in this Circular, there are no other agreements in relation to the Transaction. No special arrangements or dealings have been entered into with any party.

#### 15. MATERIAL CHANGES

There have been no material changes in the financial or trading position of the Group since the Company's latest financial year-end, being 31 March 2019, and the date of this Circular.

#### 16. MATERIAL CONTRACTS

Other than those related to the Transaction, there have been no material contracts entered into by CAPPREC and its subsidiaries during the two years preceding the date of this Circular, other than in the ordinary course of business.

#### 17. LITIGATION STATEMENT

Save for the claims described in the Circular and paragraphs 5.4 and 5.5 above, the Directors are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or have had in the recent past (being the previous 12 months) a material effect on the Group's financial position.

#### 18. INDEPENDENT BOARD RESPONSIBILITY STATEMENT

The Independent Board, collectively and individually, accept full responsibility for the accuracy of the information given in this Circular and certify that, to the best of their knowledge and belief, no facts have been omitted which would make any statement in this Circular false or misleading, that all reasonable enquiries to ascertain such facts have been made and that the Circular contains all information required by law, the Takeover Regulations and the JSE Listings Requirements.

## 19. DIRECTORS' INTEREST IN TRANSACTION

None of the current Directors, save for Dr Neishlos and Eitan Neishlos, nor any former Directors who have resigned as Directors of CAPPREC during the past 18 months have any interest in the Transaction as contemplated in this Circular nor in any other transaction by CAPPREC that were effected during the current or immediately preceding financial year, which remains in any material respect outstanding or unperformed.

## 20. PRELIMINARY EXPENSES AND COSTS OF THE TRANSACTION

The costs that are expected or have been provided for in connection with the Transaction are set out below:

Description	Name	Excluding VAT (R)	Including VAT (R)
Corporate advisor and sponsor fees	Investec Bank Limited	450 000	517 400
Independent expert fee	BDO	225 000	258 750
Legal fees	Bowmans	1 832 768	2 107 683
TRP fees	Takeover Regulation Panel	125 217	144 000
Auditors and independent reporting accountants	Ernst & Young	200 000	230 000
Printing fees	INCE Pty Ltd	200 000	230 000
Documentation inspection fee	JSE	30 154	34 678
Other	Miscellaneous (non-material)	200 000	230 000
<b>Total</b>		<b>3 263 139</b>	<b>3 752 511</b>

## 21. CONSENTS

The Financial advisor and sponsor, the Independent Expert, the Legal Advisor and the Independent Reporting Accountant have consented in writing to act in the capacities stated and to their names being stated in this Circular and where applicable, reference to their reports in the form and context in which they appear, and have not withdrawn their consents prior to the publication of this Circular.

## 22. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents, or copies thereof, will be available for inspection at the registered office of CAPPREC (see *Corporate Information* page on the inside front cover of this Circular) during normal office hours from Monday, 29 July 2019 until Tuesday, 27 August 2019:

- audited annual financial statements of CAPPREC for the years ended 31 March 2019, 31 March 2018 and 31 March 2017;
- the signed consent letters of the parties referred to in paragraph 21;
- a signed copy of this Circular;
- a copy of the Umbrella Agreement and its exhibits;
- a copy of the Share Repurchase Agreements with each of Dr Neishlos, Eitan Neishlos, Wayne Fagan and Edmund Pieterse;
- a copy of the Loan Confirmation;
- a copy of the TRP approval letter;
- a copy of the Independent Expert report presented in **Annexure 1**;
- a copy of the Independent Reporting Accountants' assurance report on the compilation of the *pro forma* financial information on CAPPREC presented in **Annexure 2**; and
- a copy of the memorandum of incorporation of CAPPREC.

### 23. **GENERAL MEETING AND VOTING**

The General Meeting of Shareholders will be held at 14:30 on Tuesday, 27 August 2019 at the registered office of the Company being 1st Floor, 61 Katherine Street, Sandton, 2196, to consider and, if deemed fit, to pass, with or without modification, the Special Resolution.

A notice convening the General Meeting is attached hereto and forms part of this Circular and contains the resolution to be considered at the General Meeting. Full details of the action required by Shareholders are set out in the "Action required by Shareholders" section of this Circular.

The Special Resolution for the approval of the Transaction (including the CAPPREC Repurchase), set out in the notice of General Meeting, is subject to the approval of at least 75% of the votes cast by the Shareholders, present in person or represented by proxy at the General Meeting and who are entitled to vote (excluding the Relevant Persons and their associates).

By order and on behalf of the Board of Capital Appreciation Limited

**Michael Pimstein**

*Joint Chief Executive*

**Bradley Sacks**

*Joint Chief Executive*

61 Katherine Road  
Sandton  
2196

25 July 2019

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## INDEPENDENT EXPERT'S REPORT REQUIRED IN TERMS OF SECTION 114 OF THE COMPANIES ACT AND IN TERMS OF SECTION 10 OF THE JSE LISTINGS REQUIREMENTS ON THE TERMS OF THE TRANSACTION

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### “Private and confidential

The Directors and shareholders  
 Capital Appreciation Limited  
 1st Floor; 61 Katherine Street  
 Sandhurst, Sandton  
 2196

23 July 2019

Dear Sirs

### REPORT OF THE INDEPENDENT PROFESSIONAL EXPERT REGARDING THE REPURCHASE OF 245 MILLION CAPITAL APPRECIATION LIMITED ORDINARY SHARES FROM A RELATED PARTY AND SMALL RELATED PARTY TRANSACTION

#### Introduction

On 10 and 18 June 2019 Capital Appreciation Limited (“CAPPREC” or “the Company”) announced on the Stock Exchange News Service of the JSE Limited (“JSE”) (“SENS”) that it has concluded an agreement (“Umbrella Agreement”) with Dr Neishlos, the principal vendor of African Resonance Business Solutions Proprietary Limited (“African Resonance”) to CAPPREC in May 2017, pursuant to which, *inter alia*:

- Dr Neishlos’ employment contract with African Resonance will be terminated early, which agreement was initially intended to expire on 30 April 2020;
- CAPPREC will acquire all the CAPPREC shares owned by the each of Dr Neishlos, Eitan Neishlos, Wayne Brett Fagan and Edmund Pieterse (collectively “Relevant Persons”), being 245 million ordinary shares of no par value in the issued share capital of CAPPREC (“CAPPREC Shares” or “Shares”) (“Repurchase Shares”) in aggregate for a purchase price of R0.80 cents per share (“Repurchase Price”) for a total gross consideration of R196 million (“Repurchase Consideration”) (“CAPPREC Repurchase”). The Repurchase Shares constitute 15.76% of the total issued share capital of CAPPREC;
- African Resonance will acquire and license certain intellectual property from Uplink (the “Uplink IP”) for a consideration of R5 million (“Uplink Transaction”);
- Pursuant to the Uplink Transaction, Uplink (as licensor) agreed to licence on a perpetual basis, to Dashpay (as licensee), amongst other things, the rights to use in South Africa and all intellectual property rights in connection with the “Stratagem” software in accordance with the New Uplink Licence and Services Agreement. We have determined that this agreement does not impact the fairness of the Transaction;
- CAPPREC will dispose of its 17.45% minority interest in Resonance Australia Proprietary Limited (“Resonance Australia”), and its claim on loan account (“Resonance Australia Sale Shares and Claims”), to Dvash Holdings Proprietary Limited, an entity affiliated with Eitan Neishlos (the son of Dr Neishlos) or his nominee, for a cash consideration of R40 million (“RA Transaction”); and
- The dissolution of other related party contracts and services relationships that formed part of the initial terms of the acquisition transactions in May 2017, including usual and customary termination of parties’ respective rights and obligations and the waiver of any claims and obligations related thereto

(the RA Transaction and the Uplink Transaction are together the “Small Related Party Transaction”) (together “the Transaction”).

BDO Corporate Finance Proprietary Limited (“BDO Corporate Finance”) has been appointed by the board of directors (“Board” or the “Directors”) of CAPPREC to provide independent expert advice to CAPPREC in respect of the Transaction.

At the date of this report, the authorised and issued share capital of the Company comprises the following:

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**Authorised share capital**

10 000 000 000 ordinary shares of no par value

**Issued share capital**

1 555 000 000 ordinary shares of no par value

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As at the last practicable date prior to the finalisation of this report, being 17 July 2019 (the "Last Practicable Date"), Directors directly held the following beneficial interests in Shares:

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<b>Director</b>	<b>Number of ordinary shares</b>
J Kahn	3 600 000
R Morar	100 000
E Neishlos	15 000 000
H Neishlos	204 500 000
M Pimstein	59 003 542
B Sacks	70 833 333
M Sacks	44 073 750
A Salomon	56 903 542
M Shapiro	19 175 000
C Valkin	250 000
<b>Total</b>	<b>473 439 167</b>

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Copies of sections 115 and 164 of the Companies Act are included as **Annexures 3** and **4** to the circular to shareholders in respect of the Transaction to be dated Monday, 29 July 2019 ("the Circular") respectively.

**Independent expert report requirements**

As the CAPPREC Repurchase involves the acquisition by the Company of more than 5% of the Company's Shares in issue, section 48(8)(b) of the Companies Act, No 71 of 2008, as amended ("the Companies Act") specifies that the CAPPREC Repurchase is subject to the requirements of sections 114 and 115 of the Companies Act. In terms of section 114(2) of the Companies Act as read together with Regulation 90 of the Companies Regulations, 2011 (the "Companies Regulations"), the Board must retain an independent expert to compile a report on the CAPPREC Repurchase in compliance with section 114(3) of the Companies Act (the "Section 114(3) Report").

**Fairness opinion required in terms of the JSE Listings Requirements**

Dr Neishlos is a related party to CAPPREC in terms of paragraph 10.1(b) of the JSE Listings Requirements ("Listings Requirements").

The Repurchase Price equates to 80 cents per CAPPREC Share, which represents a 4% premium to the 30-day volume weighted average trading price ("VWAP") (77 cents) prior to the date that the agreements in which CAPPREC agrees to repurchase the ("Repurchase Shares") ("Share Repurchase Agreements") were signed. The 204.5 million CAPPREC Shares purchased from Dr Neishlos directly are on a *cum div* basis and the gross purchase consideration payable to Dr Neishlos will be reduced by the after-tax value of the dividend that was paid to CAPPREC shareholders including Dr Neishlos, on or about 8 July 2019. Therefore, the effective net purchase price of the shares to be acquired from Dr Neishlos is R160.3 million or 78.4 cents per share. The balance of the Repurchase Shares, being 40.5 million CAPPREC Shares were repurchased on an *ex dividend* basis amounting to R0.80 per share. Therefore, the total net consideration is R192.6 million. In terms of paragraph 5.69(e) of the Listings Requirements, the Board is required to obtain a fairness opinion from an independent expert confirming whether the CAPPREC Repurchase is fair to shareholders (the "CAPPREC Repurchase Fairness Opinion").

The Small Related Party Transaction constitutes a small related party transaction in terms of section 10.7 of the Listings Requirements and Board is required to, prior to completing the Small Related Party Transaction, provide the JSE with written confirmation from an independent professional expert acceptable to the JSE that the terms of the Small Related Party Transaction are fair as far as the shareholders of CAPPREC are concerned ("the Small Related Party Transaction Fairness Opinion").

BDO Corporate Finance has been appointed as the independent professional expert by the Board in respect of the Section 114(3) Report, the CAPPREC Repurchase Fairness Opinion and the Small Related Party Transaction Fairness Opinion (the Section 114(3) Report, the CAPPREC Repurchase Fairness Opinion and the Small Related Party Transaction Fairness Opinion are together the "Independent Expert Report").

## Responsibility

Compliance with the Companies Act and the Listings Requirements is the responsibility of the Directors. Our responsibility is to report on the fairness of the terms of the Transaction and to report on the CAPPREC Repurchase in accordance with the requirements of section 114(3) of the Companies Act.

### Explanation as to how the term “Fair” applies in the context of the Transaction

Schedule 5.7 of the Listings Requirements states that the “fairness” of a transaction is based on quantitative issues. A transaction will generally be considered fair to a company’s shareholders if the benefits received by shareholders, as a result of a corporate action, are equal to or greater than the value ceded by a company.

The CAPPREC Repurchase would be considered fair to shareholders of CAPPREC if the Repurchase Price is less than or equal to the fair value of a CAPPREC Share, or unfair if the Repurchase Price is more than the fair value of a CAPPREC Share.

The RA Transaction would be considered fair to the shareholders of CAPPREC if the consideration received is more than or equal to the value of the Resonance Australia Sale Shares and Claims, or unfair if the consideration received is less than the value of the Resonance Australia Sale Shares and Claims.

The Uplink Transaction would be considered fair to the shareholders of CAPPREC if the consideration paid is less than or equal to the value of the Uplink IP, or unfair if the consideration paid is more than the value of the Uplink IP.

### Details and sources of information

In arriving at our findings, we have relied upon the following principal sources of information:

- the Share Repurchase Agreements and Umbrella Agreement;
- audited annual financial statements of CAPPREC and its subsidiaries for the year ended 31 March 2019;
- forecast financial information of CAPPREC and its subsidiaries for the financial year ended 31 March 2020;
- unaudited annual financial statements of Resonance Australia for the year ended 30 June 2017 and 30 June 2018, and management accounts for the 11-month period ended 31 May 2019;
- three-year forecast financial information (FY19, FY20 and FY21) of Resonance Australia;
- discussion with CAPPREC Directors and management on key revenue and cost drivers of CAPPREC and its subsidiaries;
- discussions with Directors and management of CAPPREC regarding the rationale for the Transaction;
- discussions with Directors and management of CAPPREC regarding the nature of the Uplink IP;
- discussions with Directors and management of CAPPREC regarding the historical financial information of the Company and its investments; and
- discussions with management on prevailing market, economic, legal and other conditions which may affect underlying value.

The information above was secured from:

- Directors and management of CAPPREC; and
- third party sources, including information related to publicly available economic, market and other data which we considered applicable to, or potentially influencing the Company.

### Procedures

In arriving at our findings, we have undertaken the following procedures and taken into account the following factors in evaluating the fairness and reasonableness of the Transaction:

- reviewed the terms and conditions of the CAPPREC Repurchase as contained in the Share Repurchase Agreements;
- reviewed the terms and conditions of the Small Related Party Transaction as contained in the Umbrella Agreement;
- reviewed the financial and other information related to the Company and its subsidiaries as well as financial information and other information related to Resonance Australia, as detailed above;
- reviewed and obtained an understanding from management as to the forecast financial information of CAPPREC and its subsidiaries and Resonance Australia, and assessed the achievability thereof by considering historic information as well as macro-economic and sector-specific data;
- performed a valuation of a CAPPREC share, the Resonance Australia Sale Shares and Claims and the Uplink IP by using appropriate methodologies as detailed hereafter;
- performed such other studies and analyses as we considered appropriate and have taken into account our assessment of general economic, market and financial conditions and our experience in other transactions, as well as our experience in securities valuation and industry knowledge;

- held discussions with Directors and management regarding the past and current business operations, financial conditions and future prospects of the Company and its investments, and such other matters as we have deemed relevant to our inquiry;
- held discussions with Directors and management regarding the rationale for the CAPPREC Repurchase;
- assessed the long-term potential of the investments of CAPPREC;
- performed a sensitivity analysis on key assumptions included in the valuations; and
- evaluated the relative risks associated with the Company and the industry in which its investments operate.

### **Assumptions**

We arrived at our findings based on the following assumptions:

- that all agreements that are to be entered into in terms of the Transaction will be legally enforceable;
- that the Transaction will have the legal, accounting and taxation consequences described in discussions with, and materials furnished to us by representatives of the Company; and
- that reliance can be placed on the financial information of the Company and its subsidiaries and Resonance Australia.

### **Appropriateness and reasonableness of underlying information and assumptions**

We satisfied ourselves as to the appropriateness and reasonableness of the information and assumptions employed in arriving at our findings by:

- determining the extent to which representations from Management were confirmed by documentary evidence as well as our understanding of the Company and its investments and the economic environment in which they operate.

### **Limiting conditions**

The Independent Expert Report is provided in connection with and for the purposes of the Transaction. This Independent Expert Report does not purport to cater for each individual shareholder's perspective, but rather that of the general body of shareholders. Should a shareholder be in doubt as to what action to take, he or she should consult an independent adviser.

Individual shareholders' decisions regarding the CAPPREC Repurchase and the Small Related Party Transaction may be influenced by such shareholders' particular circumstances and accordingly individual shareholders should consult an independent adviser if in any doubt as to the merits or otherwise of the Transaction.

We have relied upon and assumed the accuracy of the information provided to us in deriving our conclusions. Where practical, we have corroborated the reasonableness of the information provided to us for the purpose of this report, whether in writing or obtained in discussion with management, by reference to publicly available or independently obtained information. While our work has involved an analysis of, *inter alia*, the annual financial statements, and other information provided to us, our engagement does not constitute an audit conducted in accordance with generally accepted auditing standards.

Where relevant, forward-looking information of CAPPREC's investments relates to future events and is based on assumptions that may or may not remain valid for the whole of the forecast period. Consequently, such information cannot be relied upon to the same extent as that derived from audited financial statements for completed accounting periods. We express no opinion as to how closely the actual future results will correspond to those projected. We have however compared the forecast financial information to past trends as well as discussing the assumptions inherent therein with management.

We have also assumed that the Transaction will have the legal consequences described in discussions with, and materials furnished to us by representatives and advisors of the Company and we express no opinion on such consequences.

Our Independent Expert Report is based on current economic, regulatory and market as well as other conditions. Subsequent developments may affect the opinion, and we are under no obligation to update, review or re-affirm our opinion based on such developments.

We have been neither a party to the negotiations entered into in relation to the Transaction nor have we been involved in the deliberations leading up to the decision on the part of the Board to enter into the Transaction.

We do not, by this letter or otherwise, advise or form any judgement on the strategic, commercial or financial merits or risks of the Transaction. All such evaluations, advice, judgements or comments remain the sole responsibility of the Board and their advisors. We have however, drawn upon such evaluations, judgements and comments as we deem necessary and appropriate in arriving at our opinion.

It is not within our terms of reference to compare the merits of the RA Transaction to any alternative arrangements that were or may have been available to CAPPREC. Such comparison and consideration remain the responsibility of the Board and their advisors.



## **Independence, competence and fees**

We confirm that neither we nor any related person to us have a direct or indirect interest in Shares nor the Transaction. We also confirm that we have the necessary qualifications and competence to provide the Independent Expert Report on the Transaction.

Furthermore, we confirm that our professional fees are not contingent upon the success of the Transaction.

## **Valuation approach**

### **CAPPREC**

BDO Corporate Finance performed a valuation of CAPPREC on a sum of the parts ("SOTP") basis to determine whether the CAPPREC Repurchase is fair to shareholders. The SOTP method of valuation is normally most appropriate for the valuation of companies with multiple investments. CAPPREC is a Technology company in the computer services sector. This valuation approach would be used to value the underlying investments in CAPPREC. The valuation was based on the following principal valuation methodologies:

- African Resonance, Dashpay Proprietary Limited ("Dashpay") and Synthesis Software Technologies Proprietary Limited ("SST") together ("the Subsidiaries"): BDO Corporate Finance compiled forecast free cash flows for the Subsidiaries by using the historical and forecast financial information as detailed above. We applied our assumptions of cost of capital to the forecast cash flows to produce a discounted cash flow ("DCF") valuation for the Subsidiaries.
- Capital Appreciation Management Proprietary Limited ("Capital Appreciation Management"): As this is not an operating entity, BDO Corporate Finance valued the entity using the Net Asset Value ("NAV") approach.
- CAPPREC's other financial assets and financial liabilities: financial assets and financial liabilities were valued based on their carrying values, after confirming that such carrying values represent fair value in terms of International Financial Reporting Standards.

Key external value drivers include key macro-economic parameters such as Gross Domestic Product ("GDP") growth (forecast to approximate 1.5% growth by 2019, improving moderately to 2.1% in 2021), interest rates (the prime lending rate at 10.25% for the forecast period), headline inflation rates (maintained at 5.2%) and prevailing market and industry conditions were considered in assessing the forecast cash flows and risk profile of CAPPREC.

Key internal value drivers to the discounted cash flow valuation of the Subsidiaries include:

- Compound annual growth rate ("CAGR") in revenue for the forecast period of:
  - Payments and payment infrastructure business (includes African Resonance and Dashpay): 10.51%
  - Synthesis Software Technologies Proprietary Limited ("SST"): 19.19%
- Average Earnings Before Interest, Tax and Depreciation ("EBITDA") margins for the forecast period of:
  - Payments and payment infrastructure business: 25%
  - SST: 34.25%
- Average net working capital as a percentage of revenue over the forecast period of:
  - Payments and payment infrastructure business: 0.2%
  - SST: 2.7%
- A base case weighted average cost of capital ("WACC") of:
  - Payments and payment infrastructure business: 21.74%
  - SST: 21.78%

The valuation was performed taking cognisance of risk and other market and industry factors affecting CAPPREC. Additionally, sensitivity analyses were performed considering key value drivers including terminal growth rates and the weighted average cost of capital.

These sensitivity analyses did not indicate a sufficient effect to alter our opinion in respect of the CAPPREC Repurchase.

### *Resonance Australia*

Resonance Australia is a start-up entity that is not yet fully operational. However, forecast financial information has been presented by CAPPREC management. As such, BDO Corporate Finance valued the entity on a DCF basis.

Key external value drivers include key macro-economic parameters such as GDP growth (forecast to approximate 0.2% growth in 2019), interest rates (currently 1%), headline inflation rates (approximating 1.3%) and prevailing market and industry conditions were considered in assessing the forecast cash flows and risk profile of Resonance Australia.

Key internal value drivers to the discounted cash flow valuation included the discount rate, revenue growth, gross profit margins, growth in operating expenses, investment in working capital and capital expenditure requirements.

The valuation was performed taking cognisance of risk and other market and industry factors affecting Resonance Australia. Additionally, sensitivity analyses were performed considering key value drivers including terminal growth rates and the weighted average cost of capital.

These sensitivity analyses did not indicate a sufficient effect to alter our opinion in respect of the RA Transaction.

### **Uplink IP**

BDO Corporate Finance valued the Uplink IP using the cost to replicate approach based on costs to develop similar software.

### **Valuation results**

In undertaking the valuation exercise above, we determined a fair market value range for a CAPPREC Share of 105 cents to 115 cents with a most likely value of 110 cents per CAPPREC Share.

The valuation above is provided solely in respect of this Independent Expert Report and should not be used for any other purposes.

Notwithstanding our valuation, the true value negotiated between a willing buyer and a willing seller may differ from this value as it is dependent upon other considerations, including but not limited to differing views of micro and macro-economic conditions and forecasts as well as different assessments of risk and particular circumstances specific to each party. True and fair values negotiated between parties can only be determined through a process of negotiation.

### **Section 114(3) requirements**

As required in terms of section 114(3) of the Companies Act (read together with section 48 of the Companies Act), this report deals with the following:

- a. state all prescribed information relevant to the value of the securities affected by the proposed arrangement;

*CAPPREC has undertaken to repurchase 245 million ordinary shares from Dr Nieshlos and his associates at 80 cents per share. The CAPPREC Repurchase is at a 1.27% premium to the closing trading price of CAPPREC on the JSE (79 cents) as measured at the close of market on Friday, 7 June 2019, being the day prior to the signature of the CAPPREC Repurchase agreement.*

*The repurchase will result in the Company repurchasing 15.76% of the issued share capital (including treasury shares):*

<b>Impact on issued share capital of Specific Repurchase</b>	<b>Number of shares (incl. treasury)</b>	<b>% of share capital</b>
Shares in issue	1 555 000 000	
Shares to be repurchased	(245 000 000)	15.76
<b>Shares in issue post repurchased</b>	<b>1 310 000 000</b>	

- b. identify every type and class of holders of the Company's securities affected by the proposed arrangement;

*Due to the fact that holders of CAPPREC shares only hold ordinary shares in CAPPREC, the CAPPREC Repurchase will only have an effect on the economic benefit and voting rights of holders of Shares of no par value.*

- c. describe the material effects that the proposed arrangement will have on the rights and interests of the persons mentioned in paragraph (b);

*Due to the CAPPREC Repurchase, the Relevant Persons will no longer have any interest in CAPPREC. Therefore, they will no longer be entitled to vote on matters affecting CAPPREC and further will no longer be entitled to dividends as and when they are declared and paid by CAPPREC.*

*The total value of the entity that the remaining shareholders have a right to will decrease by the total cash outflow that will be required to settle the purchase price due to the Relevant Persons of R196 million.*

*In our view, the CAPPREC Repurchase will have no other material negative effect on the rights and interests of the remaining shareholders, as depicted in the tables above.*

d. evaluate any material adverse effects of the proposed arrangement against:

i. the compensation that any of those persons will receive in terms of that arrangement; and

*Management stated that no other parties are likely to be compensated for the CAPPREC Repurchase. We are not aware of any other persons to be entitled to compensation as a result of the CAPPREC Repurchase, apart from the transaction costs that are normally incurred in transactions of this nature, namely legal fees, securities transfer tax, brokers' fees, JSE inspection fees, STRATE settlement fees, corporate advisory and sponsor fees, auditor fees and independent expert's fees.*

ii. any reasonably probable beneficial and significant effect of that arrangement on the business and prospects of the Company;

*BDO Corporate Finance understands that the settlement of the purchase price will be funded via the current cash reserves of CAPPREC.*

*The cash reserves as well as the forecast prepared by Management indicate that the Company has sufficient cash reserves to settle all debts when they become due and payable.*

*In addition, the Directors asserted at their board meeting held on Monday, 3 June 2019, that the Board has applied the solvency and liquidity test in respect of the CAPPREC Repurchase, as set out in section 4 of the Companies Act, and reasonably concluded that the Company will satisfy the solvency and liquidity test upon passing their resolution and for a period of 12 months thereafter.*

e. state any material interest of any director of the Company or trustee for security holders;

*All directors of CAPPREC registered with the Companies and Intellectual Property Commission have been included in the table below:*

<b>Director name</b>	<b>Executive Director</b>	<b>Shareholder</b>	<b>Material interest</b>	<b>Effect of the Specific Repurchase on these interests</b>
M Pimstein	Yes	Yes	Direct shareholding	No effect noted
B Sacks	Yes	Yes	Direct shareholding	No effect noted
A Salomon	Yes	Yes	Direct shareholding	No effect noted
M Shapiro	Yes	Yes	Direct shareholding	No effect noted
J Kahn	No	Yes	Directors emoluments, Direct shareholding	No effect noted
R Morar	No	Yes	Directors emoluments, Direct shareholding	No effect noted
E Neishlos	No	Yes	Directors emoluments, Direct shareholding	Will no longer hold an interest in the Company
H Neishlos	No	Yes	Directors emoluments, Direct shareholding	Will no longer hold an interest in the Company
M Sacks	No	Yes	Direct shareholding	No effect noted
C Valkin	No	Yes	Directors emoluments, Direct shareholding	No effect noted
B Bulu	No	No	Directors emoluments	No effect noted
D Dlamini	No	No	Directors emoluments	No effect noted
E Kruger	No	No	Directors emoluments	No effect noted
V Sekese	No	No	Directors emoluments	No effect noted

- f. state the effect of the proposed arrangement on the interest and person contemplated in paragraph (e);

*The number of direct and indirect CAPPREC shares held by Directors will not change during the Repurchase. Therefore, their shareholding percentage will increase in proportion to the reduction in share capital ultimately effected by the Repurchase.*

- g. and include a copy of sections 115 and 164

*Copies of sections 115 and 164 of the Companies Act are included as Annexures 3 and 4 to the Circular respectively.*

### **Opinion**

BDO Corporate Finance has considered the terms and conditions of the CAPPREC Repurchase and, based on and subject to the conditions set out herein, is of the opinion that the terms and conditions of the CAPPREC Repurchase are fair to CAPPREC shareholders.

BDO Corporate Finance has considered the terms and conditions of the Small Related Party Transaction and, based on and subject to the conditions set out herein, is of the opinion that the terms and conditions of the Small Related Party Transaction are fair to CAPPREC shareholders.

Our opinion is necessarily based upon the information available to us up to 23 July 2019, including in respect of the financial information as well as other conditions and circumstances existing and disclosed to us. We have assumed that all conditions precedent, including any material regulatory and other approvals or consents required in connection with the Transaction have been fulfilled or obtained.

Accordingly, it should be understood that subsequent developments may affect this opinion, which we are under no obligation to update, revise or re-affirm.

Yours faithfully

**N Lazanakis CA(SA)**

*Director*

**BDO Corporate Finance Proprietary Limited**

Wanderers Office Park

52 Corlett Dr, Illovo

Johannesburg, 2196

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## PRO FORMA INFORMATION OF CAPPREC

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The definitions and interpretations commencing on page 4 of this Circular apply throughout this Circular including this **Annexure 2**.

### Basis of preparation

The *Pro Forma* Financial Information of CAPPREC ("*Pro Forma* Financial Information") comprising the *pro forma* consolidated statement of comprehensive income and the consolidated statement of financial position, has been prepared for illustrative purposes only and because of its nature may not fairly present CAPPREC's financial position, changes in equity and results of operations or cash flows.

The *Pro Forma* Financial Information is based on the audited financial information of CAPPREC as at 31 March 2019, as presented in the audited annual Financial Statements of CAPPREC.

The *pro forma* consolidated statement of comprehensive income and the *pro forma* consolidated statement of financial position (together, the "*Pro Forma* financial information") have been prepared to show the financial effects of:

- the Proposed Transaction: the transactions contemplated under the Umbrella Agreement including the CAPPREC repurchase and the small related party transaction; and
- the transaction costs associated with the Proposed Transaction

(collectively the "*Pro Forma* Adjustments").

The *Pro Forma* Financial Information has been prepared to illustrate the impact of the Proposed Transactions on the Historical Financial Information on the assumption that, with respect to the *pro forma* statement of financial position, the Proposed Transactions occurred on 31 March 2019, and, with respect to the *pro forma* statement of comprehensive income, the Proposed Transactions occurred on 1 April 2018 and shows CAPPREC's performance for the year then ended. The historical audited information has been extracted from the CAPPREC's audited financial statements as at 31 March 2019 as of the dates specified, in each case audited by the Company's independent reporting accountants.

The *Pro Forma* Financial Information has been prepared using the accounting policies of CAPPREC which comply with IFRS and are consistent with those applied in the preparation of the audited annual Financial Statements as at 31 March 2019 and the guide on *Pro Forma* Financial Information issued by the South African Institute of Chartered Accountants (SAICA).

The *Pro Forma* Financial Information is the responsibility of the Directors.

EY's independent reporting accountants' report on the *Pro Forma* Financial Information is set out in **Annexure 2** to the Circular.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

<b>Figures in R'000</b>	<b>CAPPREC Prior to Proposed Transaction<sup>1</sup></b>	<b>Impact of the repurchase of shares<sup>2</sup></b>	<b>Acquisition of business from Uplink<sup>3</sup></b>	<b>Impact of the sale of investment and settlement of loan to associate<sup>4</sup></b>	<b>Impact of settlement H Neishlos' loan<sup>5</sup></b>	<b>Transaction costs<sup>6</sup></b>	<b>After the pro forma adjustments</b>
<b>Assets</b>							
<b>Non-current assets</b>							
Property, plant and equipment	21 737						21 737
Intangible assets	62 259		5 720				67 979
Goodwill	728 578						728 578
Other financial assets	19 011				(19 011)		–
Interest in associates	26 360			(26 360)			–
Deferred taxation	5 141						5 141
	<b>863 086</b>		<b>5 720</b>	<b>(26 360)</b>	<b>(19 011)</b>		<b>823 435</b>
<b>Current assets</b>							
Inventories	16 167						16 167
Trade and other receivables	44 368						44 368
Loan to associate	5 179			(5 179)			–
Taxation receivable	4 588						4 588
Cash and cash equivalents	611 228	(192 728)	(5 000)	40 000	19 011	(3 263)	469 248
	<b>681 530</b>	<b>(192 728)</b>	<b>(5 000)</b>	<b>34 821</b>	<b>19 011</b>	<b>(3 263)</b>	<b>534 371</b>
<b>Total assets</b>	<b>1 544 616</b>	<b>(192 728)</b>	<b>720</b>	<b>8 461</b>	<b>–</b>	<b>(3 263)</b>	<b>1 357 806</b>
<b>Equity and liabilities</b>							
<b>Equity</b>							
Share capital	1 204 657	(192 728)					1 011 929
Share-based payment reserve	1 172						1 172
Contingent consideration reserve	24 900						24 900
Retained income	216 386			7 324		(3 263)	220 447
	<b>1 447 115</b>	<b>(192 728)</b>		<b>7 324</b>		<b>(3 263)</b>	<b>1 258 448</b>

	<b>CAPPREC Prior to Proposed Transaction<sup>1</sup></b>	<b>Impact of the repurchase of shares<sup>2</sup></b>	<b>Acquisition of business from Uplink<sup>3</sup></b>	<b>Impact of the sale of investment and settlement of loan to associate<sup>4</sup></b>	<b>Impact of settlement H Neishlos' loan<sup>5</sup></b>	<b>Transaction costs<sup>6</sup></b>	<b>After the pro forma adjustments</b>
<b>Figures in R'000</b>							
<b>Liabilities</b>							
<b>Non-current liabilities</b>							
Deferred income	9 154						9 154
Contingent liability consideration	9 272						9 272
Deferred taxation	16 217		(280)				15 937
	<b>34 643</b>		<b>(280)</b>		<b>-</b>		<b>34 363</b>
<b>Current liabilities</b>							
Trade and other payables	53 357		1 000				54 357
Bank overdraft	2 434						2 434
Operating lease liability	1 183						1 183
Deferred revenue	1 850						1 850
Taxation payable	4 034			1 137			5 171
	<b>62 858</b>		<b>1 000</b>	<b>1 137</b>	<b>-</b>		<b>64 995</b>
<b>Total equity and liabilities</b>	<b>1 544 616</b>	<b>(192 728)</b>	<b>720</b>	<b>8 461</b>	<b>-</b>	<b>(3 263)</b>	<b>1 357 806</b>
<b>Net asset value per share (cents)</b>	<b>93.06</b>						<b>96.06</b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	CAPREC Prior to Proposed Trans- action <sup>1</sup>	Trans- action costs <sup>6</sup>	Impact on finance income settlement of the loan with H Neishlos <sup>7</sup>	Impact on salaries and directors' fees paid to H Neishlos <sup>8</sup>	Impact on consulting fees and directors' fees paid to E Neishlos <sup>9</sup>	Impact on operating expenses as a result of the renegotiation of the Uplink agreement <sup>10</sup>	Impact on amortisation of acquired intellectual property <sup>11</sup>	Impact of the sale of investment in associate <sup>12</sup>	Impact of transaction on finance income <sup>13</sup>	After the <i>pro forma</i> adjustments
<b>Figures in R'000</b>										
Revenue	607 723									607 723
Cost of sales	(309 256)									(309 256)
<b>Gross profit</b>	<b>298 467</b>									<b>298 467</b>
Other income	2 678							6 699		9 377
Operating expenses	(127 992)			5 273	3 636	3 768				(115 315)
<b>Trading profit</b>	<b>173 153</b>			<b>5 273</b>	<b>3 636</b>	<b>3 768</b>		<b>6 699</b>		<b>192 529</b>
Share-based payment expense	(922)									(922)
Depreciation	(8 462)									(8 462)
Amortisation	(13 984)						(1 000)			(14 984)
Acquisition costs	(415)	(3 263)								(3 678)
Transformation costs	(10 825)									(10 825)
<b>Operating profit</b>	<b>138 545</b>	<b>(3 263)</b>		<b>5 273</b>	<b>3 636</b>	<b>3 768</b>	<b>(1 000)</b>	<b>6 699</b>	<b>(14 210)</b>	<b>153 658</b>
Finance income	38 280		(1 384)							22 686
Finance costs	(601)									(601)
Share of loss of associate	(2 428)							2 428		-
<b>Profit before taxation</b>	<b>173 796</b>	<b>(3 263)</b>	<b>(1 384)</b>	<b>5 273</b>	<b>3 636</b>	<b>3 768</b>	<b>(1 000)</b>	<b>9 127</b>	<b>(14 210)</b>	<b>175 743</b>
Taxation	(49 183)	-	387	(1 476)	(1 018)	(1 055)	280	(1 286)	3 979	(49 372)
<b>Profit after taxation</b>	<b>124 613</b>	<b>(3 263)</b>	<b>(996)</b>	<b>3 797</b>	<b>2 618</b>	<b>2 713</b>	<b>(720)</b>	<b>7 841</b>	<b>(10 231)</b>	<b>126 371</b>
Other comprehensive income										-
<b>Total comprehensive income for the year</b>	<b>124 613</b>	<b>(3 263)</b>	<b>(996)</b>	<b>3 797</b>	<b>2 618</b>	<b>2 713</b>	<b>(720)</b>	<b>7 841</b>	<b>(10 231)</b>	<b>126 371</b>



	<b>CAPPREC Prior to Proposed Trans- action<sup>1</sup></b>	<b>Trans- action<sup>6</sup> costs<sup>6</sup> H Neishlos<sup>7</sup></b>	<b>Impact on finance income on the settlement of the loan with H Neishlos<sup>7</sup></b>	<b>Impact on salaries and directors' fees paid to H Neishlos<sup>8</sup></b>	<b>Impact on consulting fees and directors' fees paid to E Neishlos<sup>9</sup></b>	<b>Impact on operating expenses as a result of the renegotiation of the Uplink agreement<sup>10</sup></b>	<b>Impact on amortisation of acquired intellectual property<sup>11</sup></b>	<b>Impact of the sale of investment in associate<sup>12</sup></b>	<b>Impact of transaction on finance income<sup>13</sup></b>	<b>After the <i>pro forma</i> adjustments</b>
<b>Figures in R'000</b>										
<b>Earnings per share</b>										
Basic (cents)	8.33									10.11
Headline (cents)	8.33									9.67
Diluted (cents)	8.17									9.87
Diluted headline (cents)	8.17									9.45
<b>Number of shares</b>										
Number of ordinary shares in issue	1 555 000 000									1 310 000 000
Weighted average number of shares in issue	1 495 475 231									1 250 475 231
Diluted weighted average number of ordinary shares in issue	1 525 475 231									1 280 475 231

**Notes:**

**Preamble to  
*pro formas*** The *pro forma* financial information has been prepared to show the financial effects of the Proposed Transaction. These *pro forma* financial effects are prepared for illustrative purposes only, to provide information about how the Proposed Transaction might have affected the financial information presented by CAPPREC and, because of their *pro forma* nature, may not give a fair reflection of CAPPREC's financial position, changes in equity, results of operations or cash flows after the Proposed Transaction. The *pro forma* statement of financial position and the *pro forma* statement of comprehensive income have been prepared on the basis as if the Proposed Transaction took place on 31 March 2019 for the CAPPREC's financial position, and at 1 April 2018 for CAPPREC's financial performance for the year then ended. The directors of Capital Appreciation Limited are responsible for the preparation of the *pro forma* financial information. The *pro forma* financial information has been prepared using the accounting policies adopted by CAPPREC which comply with IFRS and are consistent with those applied in the preparation of the audited annual financial statements as at 31 March 2019. The *pro forma* financial information has been prepared in accordance with the JSE Listings Requirements and the revised Guide on *Pro forma* Financial Information issued by the South African Institute of Chartered Accountants (SAICA). The independent reporting accountants' assurance report on the abovementioned *pro forma* financial information is included as Annexure 2 to this Circular.

**1** The financial information in the 'CAPPREC Prior to Proposed Transaction' column has been extracted without adjustment from the audited annual financial information of CAPPREC as at 31 March 2019. The annual financial statements of CAPPREC were audited by Ernst & Young Inc. who issued an unmodified audit report. These are available for inspection as detailed in paragraph 22 of the circular.

**2** The column entitled 'Impact of the repurchase of shares' represents the purchase and cancellation of 245 000 000 shares from the Relevant Persons in terms of the Share Repurchase Agreements at the effective net purchase price of 78.7 cents per share from the Relevant Persons in terms of the Share Repurchase Agreements.

3	<p>The column entitled 'Acquisition of business from Uplink' represents the acquisition of the business from Uplink Technology Services (Pty) Ltd in terms of the Sale of Business and Termination Agreement between African Resonance, a subsidiary of CAPPREC and Uplink Technology Services (Pty) Ltd. The business acquired comprises primarily of certain intellectual property and transfer of employees for a consideration of R5 million. The acquisition is accounted for in terms of IFRS 3 – Business Combinations. As the business acquired represents a portion of the business of Uplink, the unadjusted information was derived from the Sale of Business and Termination Agreement. Management has performed a provisional purchase price allocation ('PPA') to determine the fair value of the assets and liabilities acquired. The R5.7 million adjustment to Intangible Assets represents the provisional fair value of the acquisition of intellectual property. The liability of R1 million recorded in trade and other payables represents the value of employee related liabilities that were transferred in terms of the Sales of Business and Termination Agreement and remained unchanged on acquisition. The amount recorded in deferred tax represents the tax effect on the employee related liabilities.</p>
4	<p>The column entitled 'Impact of the sale of investment and settlement of loan to associate' represents the sale of CAPPREC's 17.45% interest in and loan claim against Resonance Australia (Pty) Ltd. The aggregate consideration was R40 million which will be allocated to the face value of the claim and to the sale shares as to the balance of the purchase price. At 31 March 2019 the carrying value of the investment in associate and loan to associate was R26.4 million and R5.2 million respectively. The taxable gain on disposal is assumed to be taxed at an effective rate of 22.4% (capital gains tax).</p>
5	<p>The column entitled 'Impact of settlement of H Neishlos' loan' represents the settlement of the loan owing by Dr. Neishlos to African Resonance, a subsidiary of CAPPREC, which was concluded as part of the Umbrella Agreement.</p>
6	<p>The column entitled 'Transaction costs' represents non-continuing transaction costs related to the Proposed Transaction. These are outlined in more detail in paragraph 20 of the circular. These transaction costs are deemed to be capital in nature and not to be deductible for income tax. These costs are non-continuing.</p>
7	<p>The column entitled 'Impact on finance income on the settlement of the loan with H Neishlos' represents the finance income of R1.38 which will no longer be earned by African Resonance, a subsidiary of CAPPREC following the settlement of the loan which was concluded as part of the Umbrella Agreement. Tax on the adjustment has been calculated at an effective tax rate of 28%. This adjustment is expected to have a continuing effect.</p>
8	<p>The column entitled 'Impact on salaries and directors fees paid to H Neishlos' represents the salaries and director's fees which will no longer be incurred by CAPPREC following the Mutual Separation and Settlement Agreement between H Neishlos and African Resonance, a subsidiary of CAPPREC. Tax on the adjustment has been calculated at an effective tax rate of 28%. This adjustment is expected to have a continuing effect.</p>
9	<p>The column entitled 'Impact on consulting fees and directors fees paid to E Neishlos' represents the consulting fees and director's fees which will no longer be incurred by CAPPREC following the Termination Agreement between African Resonance, a subsidiary of CAPPREC and Castlebridge Professional Services Limited. Tax on the adjustment has been calculated at an effective tax rate of 28%. This adjustment is expected to have a continuing effect.</p>
10	<p>The column entitled 'Impact on operating expenses as a result of the renegotiation of the Uplink agreement' represents the reduction in operating expenditure following the Sale of Business and Termination Agreement between African Resonance, a subsidiary of CAPPREC and Uplink Technology Services (Pty) Ltd. and Strategem Licence and Services Agreement between Uplink Technology Services (Pty) Ltd. and Dashpay (Pty) Ltd., a subsidiary of CAPPREC. Tax on the adjustment has been calculated at an effective tax rate of 28%. This adjustment is expected to have a continuing effect.</p>
11	<p>The column entitled 'Impact on amortisation of acquired intellectual property' represents the amortisation of the licence of certain intellectual property acquired by African Resonance, a subsidiary of CAPPREC from Uplink Technology Services (Pty) Ltd. over a five-year period. Tax on the adjustment has been calculated at an effective tax rate of 28%. This adjustment is expected to have a continuing effect.</p>
12	<p>The column entitled 'Impact of the sale of investment in associate' represents the profit on the sale of CAPPREC's 17.45% interest in Resonance Australia (Pty) Ltd. and associated Capital Gains Tax. At 1 April 2018 the carrying value of the investment in associate and loan to associate was R29.7 million and R4.5 million respectively. The taxable gain on disposal is assumed to be taxed at an effective rate of 22.4% (capital gains tax). This adjustment is non-continuing. As a result of the disposal, the share of loss of associate of R2.4 million is also reversed. This adjustment is expected to have a continuing impact.</p>
13	<p>The column entitled 'Impact of transaction on finance income' comprises the reduction of the finance income received and related tax effect as a result of the reduction in cash resources. It is based on the assumption that the cash for the Proposed Transaction was paid on 1 April 2018. As a result of the transaction, the cash outflow from the repurchase of shares, acquisitions of intellectual property and transaction costs amounted to R201 million and the foregone interest has been calculated at a rate of 7.1% per annum. Tax on the adjustment has been calculated at an effective tax rate of 28%. This adjustment is expected to have a continuing effect.</p>
14	<p>No other material post-balance sheet date events have taken place which would require adjustment to the <i>pro forma</i> consolidated statement of financial position and consolidated statement of comprehensive income as presented.</p>

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## INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF THE *PRO FORMA* FINANCIAL INFORMATION OF CAPPREC

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"The Directors  
Capital Appreciation Limited  
1st Floor  
61 Katherine Road  
Sandton  
Johannesburg, 2196

### INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF THE *PRO FORMA* FINANCIAL INFORMATION

The definitions and interpretations commencing on page 4 of the Circular to which this letter is attached apply *mutatis mutandis* to this report.

We have completed our assurance engagement to report on the compilation of *pro forma* financial information of Capital Appreciation Limited by the directors. The *pro forma* financial information, as set out in **Annexure 2** on pages 26 – 32 of the Circular relating to the transaction by Capital Appreciation Limited, consists of the statement of comprehensive income, statement of financial position, statement of changes in equity (collectively the '*pro forma* financial information') and related notes. The *pro forma* financial information has been compiled on the basis of the applicable criteria specified in the JSE Limited (JSE) Listings Requirements.

The *pro forma* financial information has been compiled by the directors to illustrate the impact of the Transaction, described in paragraphs 3, 4 and 5 on pages 9 – 12 of the circular, on the Company's financial position as at 31 March 2019, and the Company's financial performance for the year then ended, as if the Transaction had taken place at 31 March 2019 for the *pro forma* statement of financial position, and 1 April 2018 for the *pro forma* statement of comprehensive income. As part of this process, information about the Company's financial position and financial performance has been extracted by the directors from the Company's annual financial statements for the year ended 31 March 2019, on which an audit report has been published.

#### **Directors' responsibility for the *pro forma* financial information**

The directors are responsible for compiling the *pro forma* financial information on the basis of the applicable criteria specified in the JSE Listings Requirements and the revised Guide on *Pro forma* Financial Information issued by the South African Institute of Chartered Accountants (SAICA) ('Applicable Criteria') as described in **Annexure 2** on page 26 of the circular.

#### **Our independence and quality control**

We have complied with the independence and other ethical requirements of the Code of Professional Conduct for Registered Auditors issued by the Independent Regulatory Board for Auditors (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B).

EY applies the International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

#### **Reporting accountant's responsibility**

Our responsibility is to express an opinion about whether the *pro forma* financial information has been compiled, in all material respects, by the directors on the basis specific in the Applicable Criteria.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, Assurance Engagements to Report on the Compilation of *Pro forma* Financial Information Included in a Prospectus which is applicable to an engagement of this nature. This standard requires that we comply with ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether the *pro forma* financial information has been compiled, in all material respects, on the basis specified in the Applicable Criteria.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the *pro forma* financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the *pro forma* financial information.

As the purpose of *pro forma* financial information included in a circular is solely to illustrate the impact of a significant corporate action or event on unadjusted financial information of the entity as if the corporate action or event had occurred or had been undertaken at an earlier date selected for purposes of the illustration, we do not provide any assurance that the actual outcome of the event or transaction at 31 March 2019 would have been as presented.

A reasonable assurance engagement to report on whether the *pro forma* financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used in the compilation of the *pro forma* financial information provides a reasonable basis for presenting the significant effects directly attributable to the corporate action or event, and to obtain sufficient appropriate evidence about whether:

- the related *pro forma* adjustments give appropriate effect to those criteria; and
- the *pro forma* financial information reflects the proper application of those adjustments to the unadjusted financial information.

Our procedures selected depend on our judgment, having regard to our understanding of the nature of the Company, the transaction in respect of which the *pro forma* financial information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the *pro forma* financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion, the *pro forma* financial information has been compiled, in all material respects, on the basis of the Applicable Criteria.

### **Ernst & Young Inc.**

Director: **Lance Ian Neame Tomlinson CA(SA)**

Registered Auditor

Reporting Accountant

24 July 2019"

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## STATUTORY REQUIREMENTS IN RESPECT OF THE CAPPREC REPURCHASE

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- “1.1 Given that the CAPPREC Repurchase will result in CAPPREC acquiring in excess of 5% of CAPPREC's issued share capital, the CAPPREC Repurchase is subject to the provisions of sections 48, 114 and 115 of the Companies Act.
- 1.2 In terms of section 115 of the Companies Act, the CAPPREC Repurchase may only be implemented if:
- 1.2.1 the Special Resolution is approved in terms of section 115 of the Companies Act (requiring a 75% majority of CAPPREC shareholders present and entitled to exercise voting rights voting in favour of the resolution) by persons entitled to exercise voting rights on such matter (being those CAPPREC shareholders registered as such on the voting record date) at the General Meeting and at which meeting sufficient persons are present to exercise, in aggregate, at least 25% of all the voting rights that are entitled to be exercised on that matter; and
- 1.2.2 the TRP has issued a compliance certificate in respect of the CAPPREC Repurchase in terms of section 115(1)(b) of the Companies Act.
- 1.3 Despite the Special Resolution having been adopted approving the CAPPREC Repurchase, the Company may not proceed to implement the CAPPREC Repurchase without the approval of the court if:
- 1.3.1 the Special Resolution was opposed by at least 15% of the voting rights that were exercised on that resolution, and within five business days after the vote, any person who voted against the Special Resolution requires the Company to seek court approval; or
- 1.3.2 the court, on application within 10 business days after the vote by any person who voted against the Special Resolution, grants that person leave to apply to a court for a review of the CAPPREC Repurchase.
- 1.4 If the Special Resolution requires approval by a court as contemplated in terms of paragraph 21.3.1, the Company must either:
- 1.4.1 within 10 business days after the vote apply to the court for approval, and bear the costs of that application; or
- 1.4.2 treat the Special Resolution as a nullity.
- 1.5 On application contemplated in paragraph 5.3.2, the court may grant leave to that person to apply to court for a review of the CAPPREC Repurchase only if satisfied that the applicant:
- 1.5.1 is acting in good faith;
- 1.5.2 appears prepared and able to sustain the proceedings; and
- 1.5.3 has alleged facts which if proved would support an order in terms of paragraph 5.6 below.
- 1.6 On reviewing the Special Resolution that is the subject of an application contemplated in paragraph 5.4.1 or after granting leave as contemplated in paragraph 5.5, the court may set aside the Special Resolution only if:
- 1.6.1 the resolution is manifestly unfair to the Company's shareholders; or
- 1.6.2 the vote was materially tainted by conflict of interest, inadequate disclosure, failure to comply with the Companies Act, the Memorandum of Incorporation of the Company or other significant and material procedural irregularity.
- 1.7 A copy of section 115 of the Companies Act is attached to the notice of General Meeting forming part of this Circular as **Annexure 4**.

## Dissenting shareholders' appraisal rights

- 1.8 Section 164 of the Companies Act provides that:
- 1.8.1 at any time before the Special Resolution is to be voted on, a shareholder may give the Company a written notice objecting to the Special Resolution;
  - 1.8.2 within 10 business days after the Company has adopted the Special Resolution, the Company must send a notice that the Special Resolution has been adopted to each shareholder who gave the Company a written notice of objection and has neither withdrawn that notice nor voted in favour of the Special Resolution;
  - 1.8.3 a shareholder may demand in writing within 20 business days after receipt of the notice referred to in paragraph 5.8.2 that the Company pay the shareholder the fair value for all the shares of the Company held by that person if:
    - 1.8.3.1 the shareholder sent the Company a notice of objection;
    - 1.8.3.2 the Company has adopted the Special Resolution; and
    - 1.8.3.3 the shareholder voted against the Special Resolution and has complied with all of the procedural requirements of section 164 of the Companies Act;
  - 1.8.4 the demand sent by the shareholder to the Company as provided in paragraph 5.8.3 above must set out:
    - 1.8.4.1 the shareholder's name and address;
    - 1.8.4.2 the number of shares in respect of which the shareholder seeks payment; and
    - 1.8.4.3 a demand for payment of the fair value of those shares. The fair value of the shares is determined as at the date on which, and the time immediately before, the Company adopted the Special Resolution that gave rise to the shareholder's rights under this section.
- 1.9 Any shareholder that is in doubt as to what action to take must consult their legal or professional advisor in this regard. A copy of section 164 of the Companies Act is attached to the notice of General Meeting forming part of this Circular as **Annexure 6**.
- 1.10 Before exercising their rights under section 164 of the Companies Act, shareholders should have regard to the following factors relating to the CAPPREC Repurchase:
- 1.10.1 the report of the Independent Expert set out in **Annexure I** to this Circular concludes that the terms of the CAPPREC Repurchase are fair and reasonable to CAPPREC Shareholders; and
  - 1.10.2 the court is empowered to grant a costs order in favour of, or against, a dissenting shareholder, as may be applicable.
- 1.11 In the event that any of the circumstances contemplated in section 164(9) of the Companies Act occur, then a dissenting shareholders' rights in respect of their shares shall be reinstated without interruption."

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**EXTRACT OF SECTION 115 OF THE COMPANIES ACT – REQUIRED APPROVAL FOR TRANSACTIONS CONTEMPLATED IN PARTS B AND C OF CHAPTER 5 OF THE COMPANIES ACT**

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- “(1) Despite section 65, and any provision of a company’s Memorandum of Incorporation, or any resolution adopted by its board or holders of its securities, to the contrary, a company may not dispose of, or give effect to an agreement or series of agreements to dispose of, all or the greater part of its assets or undertaking, implement an amalgamation or a merger, or implement a scheme of arrangement, unless:
- (a) the disposal, amalgamation or merger, or scheme of arrangement:
    - (i) has been approved in terms of this section; or
    - (ii) is pursuant to or contemplated in an approved business rescue plan for that company, in terms of Chapter 6; and
  - (b) to the extent that Parts B and C of this Chapter and the Takeover Regulations apply to a company that proposes to:
    - (i) dispose of all or the greater part of the assets or undertaking;
    - (ii) amalgamate or merge with another company; or
    - (iii) implement a scheme of arrangement, the Panel has issued a compliance notice in respect of the transaction in terms of section 119(4)(b), or exempted the transaction in terms of section 119(6).
- (2) A proposed transaction contemplated in subsection (1) must be approved:
- (a) by a Special Resolution adopted by persons entitled to exercise voting rights on such a matter, at a meeting called for that purpose and at which sufficient persons are present to exercise, in aggregate, at least 25% of all of the voting rights that are entitled to be exercised on that matter; and
  - (b) by a Special Resolution, also adopted in the manner required by paragraph (a), by the shareholders of the Company’s holding company if any, if:
    - (i) the holding company is a company or an external company;
    - (ii) the proposed transaction concerns a disposal of all or the greater part of the assets or undertaking of the subsidiary; and
    - (iii) having regard to the consolidated financial statements of the holding company, the disposal by the subsidiary substantially constitutes a disposal of all or the greater part of the assets or undertaking of the holding company; and
  - (c) by the court, to the extent required in the circumstances and manner contemplated in subsections (3) to (6).
- (3) Despite a resolution having been adopted as contemplated in subsections (2)(a) and (b), a company may not proceed to implement that resolution without the approval of a court if:
- (a) the resolution was opposed by at least 15% of the voting rights that were exercised on that resolution, and any person who voted against the resolution requires the Company to seek court approval; or
  - (b) the court, on an application by any person who voted against the resolution, grants that person leave, in terms of subsection (6), to apply to a court for a review of the transaction in accordance with subsection (7).
- (4) For the purposes of subsections (2) and (3), any voting rights controlled by an acquiring party, a person related to an acquiring party, or a person acting in concert with either of them, must not be included in calculating the percentage of voting rights:
- (a) present in satisfaction of the quorum requirement; or
  - (b) voted in support of a resolution.

- (5) If a resolution requires approval by a court as contemplated in terms of subsection (3)(a), the Company must either:
  - (a) apply to the court for approval, and bear the costs of that application; or
  - (b) treat the resolution as a nullity.
- (6) On an application contemplated in subsection (3)(b), the court may grant leave only if it is satisfied that the applicant:
  - (a) is acting in good faith;
  - (b) appears prepared and able to sustain the proceedings; and
  - (c) has alleged facts which, if proved, would support an order in terms of subsection (7).
- (7) On reviewing a resolution that is the subject of an application in terms of subsection (5)(a), or after granting leave in terms of subsection (6), the court may set aside the resolution only if:
  - (a) the resolution is manifestly unfair to any class of holders of the Company's securities; or
  - (b) the vote was materially tainted by conflict of interest, inadequate disclosure, failure to comply with the Companies Act, the Memorandum of Incorporation or any applicable rules of the Company, or other significant and material procedural irregularity.
- (8) The holder of any voting rights in a company is entitled to seek relief in terms of section 164 if that person:
  - (a) notified the Company in advance of the intention to oppose a Special Resolution contemplated in this section; and
  - (b) was present at the meeting and voted against that Special Resolution.
- (9) If a transaction contemplated in this Part has been approved, any person to whom assets are, or an undertaking is, to be transferred, may apply to a court for an order to effect:
  - (a) the transfer of the whole or any part of the undertaking, assets and liabilities of a company contemplated in that transaction;
  - (b) the allotment and appropriation of any shares or similar interests to be allotted or appropriated as a consequence of the transaction;
  - (c) the transfer of shares from one person to another;
  - (d) the dissolution, without winding-up, of a company, as contemplated in the transaction;
  - (e) incidental, consequential and supplemental matters that are necessary for the effectiveness and completion of the transaction; or
  - (f) any other relief that may be necessary or appropriate to give effect to, and properly implement, the amalgamation or merger."



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**EXTRACT OF SECTION 164 OF THE COMPANIES ACT – DISSENTING SHAREHOLDERS APPRAISAL RIGHTS**

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- “(1) This section does not apply in any circumstances relating to a transaction, agreement or offer pursuant to a business rescue plan that was approved by shareholders of a company, in terms of section 152.
- (2) If a company has given notice to shareholders of a meeting to consider adopting a resolution to:
- (a) amend its Memorandum of Incorporation by altering the preferences, rights, limitations or other terms of any class of its shares in any manner materially adverse to the rights or interests of holders of that class of shares, as contemplated in section 37(8); or
  - (b) enter into a transaction contemplated in sections 112, 113, or 114, that notice must include a statement informing shareholders of their rights under this section.
- (3) At any time before a resolution referred to in subsection (2) is to be voted on, a dissenting shareholder may give the Company a written notice objecting to the resolution.
- (4) Within 10 business days after a company has adopted a resolution contemplated in this section, the Company must send a notice that the resolution has been adopted to each shareholder who:
- (a) gave the Company a written notice of objection in terms of subsection (3); and
  - (b) has neither:
    - (i) withdrawn that notice; or
    - (ii) voted in support of the resolution.
- (5) A shareholder may demand that the Company pay the shareholder the fair value for all of the shares of the Company held by that person if:
- (a) the shareholder:
    - (i) sent the Company a notice of objection, subject to subsection (6); and
    - (ii) in the case of an amendment to the Company's Memorandum of Incorporation, holds shares of a class that is materially and adversely affected by the amendment;
  - (b) the Company has adopted the resolution contemplated in subsection (2); and
  - (c) the shareholder:
    - (i) voted against that resolution; and
    - (ii) has complied with all of the procedural requirements of this section.
- (6) The requirement of subsection (5)(a)(i) does not apply if the Company failed to give notice of the meeting or failed to include in that notice a statement of the shareholders rights under this section.
- (7) A shareholder who satisfies the requirements of subsection (5) may make a demand contemplated in that subsection by delivering a written notice to the Company within:
- (a) 20 business days after receiving a notice under subsection (4); or
  - (b) if the shareholder does not receive a notice under subsection (4), within 20 business days after learning that the resolution has been adopted.

- (8) A demand delivered in terms of subsections (5) to (7) must state:
- (a) the shareholder's name and address;
  - (b) the number and class of shares in respect of which the shareholder seeks payment; and
  - (c) a demand for payment of the fair value of those shares.
- (9) A shareholder who has sent a demand in terms of subsections (5) to (8) has no further rights in respect of those shares, other than to be paid their fair value, unless:
- (a) the shareholder withdraws that demand before the Company makes an offer under subsection (11), or allows an offer made by the Company to lapse, as contemplated in subsection (12)(b);
  - (b) the Company fails to make an offer in accordance with subsection (11) and the shareholder withdraws the demand; or
  - (c) the Company revokes the adopted resolution that gave rise to the shareholder's rights under this section.
- (10) If any of the events contemplated in subsection (9) occur, all of the shareholder's rights in respect of the shares are reinstated without interruption.
- (11) Within five business days after the later of:
- (a) the day on which the action approved by the resolution is effective;
  - (b) the last day for the receipt of demands in terms of subsection (7)(a); or
  - (c) the day the Company received a demand as contemplated in subsection (7)(b), if applicable, the Company must send to each shareholder who has sent such a demand a written offer to pay an amount considered by the Company's directors to be the fair value of the relevant shares, subject to subsection (16), accompanied by a statement showing how that value was determined.
- (12) Every offer made under subsection (11):
- (a) in respect of shares of the same class or series must be on the same terms; and
  - (b) lapses if it has not been accepted within 30 business days after it was made.
- (13) If a shareholder accepts an offer made under subsection (12):
- (a) the shareholder must either in the case of:
    - (i) shares evidenced by certificates, tender the relevant share certificates to the Company or the Company's transfer agent; or
    - (ii) uncertificated shares, take the steps required in terms of section 53 to direct the transfer of those shares to the Company or the Company's transfer agent; and
  - (b) the Company must pay that shareholder the agreed amount within 10 business days after the shareholder accepted the offer and:
    - (i) tendered the share certificates; or
    - (ii) directed the transfer to the Company of uncertificated shares.
- (14) A shareholder who has made a demand in terms of subsections (5) to (8) may apply to a court to determine a fair value in respect of the shares that were the subject of that demand, and an order requiring the Company to pay the shareholder the fair value so determined, if the Company has:
- (a) failed to make an offer under subsection (11); or
  - (b) made an offer that the shareholder considers to be inadequate, and that offer has not lapsed.

- (15) On an application to the court under subsection (14):
- (a) all dissenting shareholders who have not accepted an offer from the Company as at the date of the application must be joined as parties and are bound by the decision of the court;
  - (b) the Company must notify each affected dissenting shareholder of the date, place and consequences of the application and of their right to participate in the court proceedings; and
  - (c) the court:
    - (i) may determine whether any other person is a dissenting shareholder who should be joined as a party;
    - (ii) must determine a fair value in respect of the shares of all dissenting shareholders, subject to subsection (16);
    - (iii) in its discretion may:
      - (aa) appoint one or more appraisers to assist it in determining the fair value in respect of the shares; or
      - (bb) allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective, until the date of payment;
    - (iv) may make an appropriate order of costs, having regard to any offer made by the Company, and the final determination of the fair value by the court; and
    - (v) must make an order requiring:
      - (aa) the dissenting shareholders to either withdraw their respective demands, in which case the shareholder is reinstated to their full rights as a shareholder, or to comply with subsection (13)(a); and
      - (bb) the Company to pay the fair value in respect of their shares to each dissenting shareholder who complies with subsection (13)(a), subject to any conditions the court considers necessary to ensure that the Company fulfils its obligations under this section.
- (15A) At any time before the court has made an order contemplated in subsection (15)(c)(v), a dissenting shareholder may accept the offer made by the Company in terms of subsection (11), in which case:
- (a) that shareholder must comply with the requirements of subsection (13)(a); and
  - (b) the Company must comply with the requirements of subsection (13)(b).
- (16) The fair value in respect of any shares must be determined as at the date on which, and time immediately before, the Company adopted the resolution that gave rise to a shareholder's rights under this section.
- (17) If there are reasonable grounds to believe that compliance by a company with subsection (13)(b), or with a court order in terms of subsection (15)(c)(v)(bb), would result in the Company being unable to pay its debts as they fall due and payable for the ensuing 12 months:
- (a) the Company may apply to a court for an order varying the Company's obligations in terms of the relevant subsection; and
  - (b) the court may make an order that:
    - (i) is just and equitable, having regard to the financial circumstances of the Company; and
    - (ii) ensures that the person to whom the Company owes money in terms of this section is paid at the earliest possible date compatible with the Company satisfying its other financial obligations as they fall due and payable.
- (18) If the resolution that gave rise to a shareholder's rights under this section authorised the Company to amalgamate or merge with one or more other companies, such that the Company whose shares are the subject of a demand in terms of this section has ceased to exist, the obligations of that company under this section are obligations of the successor to that company resulting from the amalgamation or merger.

- (19) For greater certainty, the making of a demand, tendering of shares and payment by a company to a shareholder in terms of this section do not constitute a distribution by the Company, or an acquisition of its shares by the Company within the meaning of section 48, and therefore are not subject to:
- (a) the provisions of that section; or
  - (b) the application by the Company of the solvency and liquidity test set out in section 4.
- (20) Except to the extent:
- (a) expressly provided in this section; or
  - (b) that the Panel rules otherwise in a particular case, a payment by a company to a shareholder in terms of this section does not obligate any person to make a comparable offer under section 125 to any other person."



# CAPITAL APPRECIATION

## CAPITAL APPRECIATION LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 2014/253277/06)

JSE share code: CTA ISIN: ZAE000208245

("Capital Appreciation", "CAPPREC" or "the Company")

### Directors of CAPPREC

#### Executive

MR Pimstein (*Joint Chief executive*)  
 BJ Sacks (*Joint Chief executive*)  
 AC Salomon (*Chief Financial Officer*)  
 MB Shapiro (*Executive Director*)

#### Non-executive

MI Sacks (*Chairman*)  
 B Bulo\*  
 DK Dlamini\*  
 JM Kahn\*  
 E Kruger\*  
 E Neishlos  
 Dr H Neishlos  
 R Morar\*  
 VM Sekese\*  
 CL Valkin\*

\*Independent

## NOTICE OF GENERAL MEETING OF CAPPREC SHAREHOLDERS

Notice is hereby given that a General Meeting of CAPPREC Shareholders will be held on Tuesday, 27 August 2019 at 14:30 at the registered office of the Company being 1st Floor, 61 Katherine Street, Sandton, 2196 (the "**General Meeting**") for the purpose of considering and, if deemed fit, passing with or without modification, the special resolutions set out below.

All terms defined in the Circular which includes this notice of General Meeting of Shareholders shall bear the same meanings in this notice of General Meeting of Shareholders.

### Important dates to note

**2019**

Record date in order to receive the Circular	Friday, 19 July
Last day to trade in order to be recorded in CAPPREC's Register to be eligible to vote at the General Meeting	Tuesday, 13 August
Voting Record Date to be able to vote at the General Meeting	Friday, 16 August
Forms of proxy to be received by no later than 14:30 on	Friday, 23 August
General meeting to be held at 14:30 on	Tuesday, 27 August

Where appropriate and applicable, the terms defined in the Circular to which this notice of General Meeting is attached and forms part of, bear the same meanings in this notice of General meeting, and in particular in the resolutions set out below.

In terms of section 62(3)(e) of the Companies Act, 71 of 2008 ("**the Companies Act**"):

- a Shareholder who is entitled to attend and vote at the General Meeting is entitled to appoint a proxy or two or more proxies to attend and participate in and vote at the General Meeting in the place of the shareholder, by completing the proxy in accordance with the instructions set out therein; a proxy need not be a Shareholder of the Company; and
- CAPPREC Shareholders recorded in the Register of the Company on the Voting Record Date (including Shareholders and their proxies) are required to provide reasonably satisfactory identification before being entitled to attend or participate in the General Meeting; in this regard, all CAPPREC Shareholders recorded in the Register of the Company on the Voting Record Date will be required to provide identification satisfactory to the Chairman of the General Meeting. Forms of identification include valid identity documents, driver's licenses and passports.

Shareholders of the Company registered as such on the Voting Record Date are asked to consider and, if deemed fit, to pass, with or without modification, the special resolutions referred to herein.

### **SPECIAL RESOLUTION NUMBER 1: TRANSACTION RESOLUTION**

**“RESOLVED THAT** the Transaction be and is hereby approved and that the Company be and is hereby authorised, by way of a special resolution and a specific authority, in terms of the Companies Act and the JSE Limited Listings Requirements, to repurchase 245 million (two hundred and forty five million) CAPPREC shares in aggregate from the Relevant Persons pursuant to the Share Repurchase Agreements. Additionally, that any executive director of the Company be and is hereby authorised to do all such things, sign all such documents and take all such actions as may be necessary for or incidental to the validation and implementation hereof.”

#### **Quorum**

A quorum for the purposes of considering Special Resolution Number 1 shall comprise 25% of all the voting rights that are entitled to be exercised by Shareholders in respect of each matter to be decided at the General Meeting by the shareholders (excluding the Relevant Persons and their associates).

#### **Voting requirement**

In terms of the JSE Listings Requirements, certain of the Relevant Persons are considered a related party to the Company and all of them are participating in the CAPPREC Repurchase. So, each of the Relevant Persons (Dr Neishlos, Eitan Neishlos, Wayne Fagan and Edmund Pieterse) and each of their associates will be excluded from voting on Special Resolution Number 1. Special Resolution Number 1 will, in terms of the JSE Listings Requirements, require support of at least 75% of the voting rights exercised thereon at the General Meeting by the Shareholders present in person or represented by proxy (excluding the votes of the Relevant Persons and their associates) to be approved.

#### **Reason and effect**

The reason for the passing of Special Resolution Number 1 is, subject to the fulfilment (and/or waiver) of the Conditions, to authorise the Company to implement the Transaction (including the CAPPREC Repurchase) in terms of sections 48 and 114, and to the extent any financial assistance is given by CAPPREC pursuant to the Transaction, section 45 of the Companies Act and section 5.69 of the JSE Listings Requirements and, to the extent applicable, section 10.4 of the JSE Listings Requirements pursuant to which the Company will repurchase from the Relevant Persons 245 million CAPPREC shares for an aggregate gross purchase price set out in the Circular.

The effect of the passing of Special Resolution Number 1 is that CAPPREC will have the authority to buy back 245 million CAPPREC shares.

### **SPECIAL RESOLUTION NUMBER 2: REVOCATION OF SPECIAL RESOLUTION NUMBER 1 IF THE CAPPREC REPURCHASE IS TERMINATED**

**“RESOLVED THAT** subject to and in the event of: (i) Special Resolution Number 1 being approved at the General Meeting in terms of the Companies Act; and (ii) the CAPPREC Repurchase being terminated, Special Resolution Number 1 is revoked with effect from the date that such termination is announced, as contemplated in section 164(9) of the Companies Act, and accordingly any Dissenting Shareholder that has sent a demand to CAPPREC in terms of sections 164(5) to (8) of the Companies Act to be paid the fair value of its CAPPREC shares, shall have no rights to be so paid under section 164 of the Companies Act.”

#### **Quorum**

A quorum for the purposes of considering Special Resolution Number 2 shall comprise 25% of all the voting rights that are entitled to be exercised by Shareholders in respect of each matter to be decided at the General Meeting by the shareholders.

#### **Voting requirement**

The percentage of voting rights that will be required for Special Resolution Number 2 to be adopted is at least 75% of the voting rights exercised on the resolution.

#### **Reason and effect**

The reason of Special Resolution Number 2 is to remove the rights to payment of Dissenting Shareholders if the CAPPREC Repurchase is terminated and shall become effective only if: (i) Special Resolution Number 1 is approved at the General Meeting in terms of the Companies Act; and (ii) the CAPPREC Repurchase is terminated for any lawful reason. The effect of Special Resolution Number 2 is that any right to payment that a Dissenting Shareholder may have under section 164 of the Companies Act if the Transaction is terminated as aforementioned, falls away.

### **VOTING**

On a show of hands, every Shareholder who is present in person, by proxy or represented at the General Meeting of Shareholders shall have one vote (irrespective of the number of CAPPREC shares held), and on a poll, every CAPPREC Shareholder shall have for each share held by him that proportion of the total votes in the Company which the aggregate

amount of the nominal value of that share held by him bears to the aggregate of the nominal value of all the shares issued by the Company.

In terms of the Companies Act, the votes of CAPPREC, as the holder of treasury shares, will not be taken into account in determining the results of the voting at the General Meeting of Shareholders.

### **ELECTRONIC PARTICIPATION**

Shareholders or their proxies may participate in (but not vote at) the General Meeting of Shareholders by way of a teleconference call. If they wish to do so, they must email the Company Secretary: peter@katzconsult.co.za by no later than 14:30 on Monday, 19 August 2019 and identify themselves to the satisfaction of the company secretary to obtain the dialing code and pin number. Shareholders participating in this manner will still have to appoint a proxy to vote on their behalf at the General Meeting of Shareholders. Access by means of electronic communication will be at the expense of the Shareholder.

### **FORMS OF PROXY**

A Shareholder entitled to attend and vote at the General Meeting of Shareholders may appoint one or more persons as its proxy to attend, speak and vote in its stead. A proxy need not be a shareholder of the Company.

A form of proxy is attached for the convenience of Certificated Shareholders and own name Dematerialised Shareholders who are unable to attend the General Meeting of Shareholders, but who wish to be represented thereat. In order to be valid, duly completed forms of proxy must be received by CAPPREC's Transfer Secretaries, Computershare, Rosebank Towers, 15 Biermann Avenue (PO Box 61051, Marshalltown, 2107), not later than 14:30 on Friday, 23 August 2019.

Dematerialised Shareholders, other than with own name registration, who have not been contacted by their CSDP or broker with regard to how they wish to cast their votes, should contact their CSDP or broker and instruct their CSDP or broker as to how they wish to cast their votes at the General Meeting of Shareholders in order for their CSDP or broker to vote in accordance with such instructions. If such Dematerialised Shareholders wish to attend the CAPPREC General Meeting in person, they must request their CSDP or broker to issue the necessary letter of representation to them. This must be done in terms of the agreement entered into between such Dematerialised Shareholders and the CSDP or broker.

The record date to be entitled to attend, participate in and vote at the General Meeting is Friday, 16 August 2019.

### **APPRAISAL RIGHTS FOR DISSENTING SHAREHOLDERS**

In terms of section 164 of the Companies Act, at any time before Special Resolution Number 1 as set out in this notice of General Meeting is voted on, a shareholder may give the Company a written notice objecting to Special Resolution Number 1.

Within 10 business days after the Company has adopted Special Resolution Number 1, the Company must send a notice that Special Resolution Number 1 has been adopted to each shareholder who:

- gave the Company a written notice of objection as contemplated above; and
- has neither withdrawn that notice nor voted in support of Special Resolution Number 1.

A shareholder may demand that the Company pay the shareholder the fair value for all of the CAPPREC shares held by that person if:

- the shareholder has sent the Company a notice of objection;
- the Company has adopted Special Resolution Number 1; and
- the shareholder voted against Special Resolution Number 1 and has complied with all of the procedural requirements of section 164 of the Companies Act.

A copy of section 164 of the Companies Act is set out in **Annexure 4** to this notice.

By order of the Board

### **MI Sacks**

*Chairman*

### **Capital Appreciation Limited**

61 Katherine Road  
Sandton  
2196

25 July 2019







# CAPITAL APPRECIATION

## CAPITAL APPRECIATION LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 2014/253277/06)

JSE share code: CTA ISIN: ZAE000208245

(“Capital Appreciation”, “CAPPREC” or “the Company”)

### FORM OF PROXY – GENERAL MEETING OF CAPPREC SHAREHOLDERS

Where appropriate and applicable the terms defined in the Circular to which this form of proxy is attached and forms part of shall bear the same meaning in this form of proxy.

For use by the holders of certificated shares and/or dematerialised shares held through a CSDP or broker who have selected own name registration, registered as such at the close of business on the Voting Record Date, at a meeting of Shareholders to be held at 14:30 on Tuesday, 27 August 2019 at the registered office of CAPPREC: 1st Floor, 61 Katherine Road, Sandton, 2196 (“**General Meeting**”) or any postponement or adjournment thereof.

Holders of CAPPREC dematerialised shares who have not selected own name registration must inform their CSDP or broker timeously of their intention to attend and vote at the General Meeting or be represented by proxy thereat in order for the CSDP or broker to issue them with the necessary letter of representation to do so or provide the CSDP or broker timeously with their voting instruction should they not wish to attend the General Meeting in order for the CSDP or broker to vote in accordance with their instructions at the General Meeting.

I/We (names in full)

(BLOCK LETTERS PLEASE)

of (address)

being holders  of shares in CAPPREC, hereby appoint (see note 1 )

1. \_\_\_\_\_ or failing him/her;

2. \_\_\_\_\_ or failing him/her;

3. the Chairman of the General Meeting,

as my/our proxy to act for me/us on my/our behalf at the General Meeting in accordance with the following instructions (see note 2):

	Number of votes		
	*For	*Against	*Abstain
<b>Special Resolution Number 1</b> – Transaction			
<b>Special Resolution Number 2</b> – Revocation			

\* One vote per share held by CAPPREC Shareholders recorded in the Register on the Voting Record Date.

Signed at \_\_\_\_\_ on \_\_\_\_\_ 2019

Signature \_\_\_\_\_

Assisted by me (where applicable) \_\_\_\_\_

**Please read the notes on the next page.**

**Notes:**

1. A Shareholder may insert the name of a proxy or the names of two alternative proxies of the Shareholder's choice in the space(s) provided. The person whose name appears first on this form of proxy and who is present at the General Meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. A proxy appointed by a Shareholder in terms hereof may not delegate his authority to act on behalf of the shareholder to any other person.
3. A Shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the shareholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy to vote or abstain from voting at the General Meeting as he deems fit in respect of all the shareholder's votes exercisable thereat.
4. Forms of proxy must be lodged at or posted to Computershare Investor Services Proprietary Limited, 15 Biermann Avenue, Rosebank, Rosebank Towers, 2196 (PO Box 61051, Marshalltown, 2107) to be received by no later than 14:30 on Friday, 23 August 2019 or not less than 48 hours before the recommencement of any adjourned or postponed meeting, or 10 minutes before the General Meeting is due to commence or recommence.
5. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so. In addition to the foregoing, a shareholder may revoke the proxy appointment by (i) cancelling it in writing or making a later inconsistent appointment of a proxy; and (ii) delivering a copy of the revocation instrument to the proxy, and to the Company. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as at the later of the date stated in the revocation instrument, if any; or the date on which the revocation instrument was delivered in the required manner.
6. The Chairman of the General Meeting may reject or accept any form of proxy which is completed and/or received otherwise than in accordance with these notes, provided that, in respect of acceptances, he is satisfied as to the manner in which the shareholder(s) concerned wish(es) to vote.
7. Each Shareholder is entitled to appoint one or more proxies (none of whom need be a member of CAPPREC) to attend, speak and vote in place of that shareholder at the General Meeting.
8. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by CAPPREC or Computershare Investor Services Proprietary Limited or waived by the Chairman of the General Meeting.
9. Any alteration or correction made to this form of proxy must be initialed by the signatory(ies).
10. Where there are joint holders of shares:
  - 10.1 any one holder may sign the form of proxy; and
  - 10.2 the vote of the senior (for that purpose seniority will be determined by the order in which the names of Shareholders appear in the Register of members) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint holder(s) of CAPPREC shares.
11. This form or proxy may be used at any adjournment or postponement of the General Meeting, including any postponement due to a lack or quorum, unless withdrawn by the shareholder.
12. The foregoing notes contain a summary of the relevant provisions of section 58 of the Companies Act, as required in terms of that section. In addition, an extract from the Companies Act reflecting the provisions of section 58 of the Companies Act is attached as **Annexure A** to this form of proxy.

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**EXTRACT OF SECTION 58 OF THE COMPANIES ACT – SHAREHOLDER RIGHT TO BE REPRESENTED BY PROXY**

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58. Shareholder right to be represented by proxy

- (1) At any time, a shareholder of a company may appoint any individual, including an individual who is not a shareholder of that company, as a proxy to:
  - (a) participate in, and speak and vote at, a shareholders meeting on behalf of the shareholder; or
  - (b) give or withhold written consent on behalf of the shareholder to a decision contemplated in section 60.
- (2) A proxy appointment:
  - (a) must be in writing, dated and signed by the shareholder; and
  - (b) remains valid for:
    - (i) one year after the date on which it was signed; or
    - (ii) any longer or shorter period expressly set out in the appointment, unless it is revoked in a manner contemplated in subsection (4)(c), or expires earlier as contemplated in subsection (8)(d).
- (3) Except to the extent that the Memorandum of Incorporation of a company provides otherwise:
  - (a) a shareholder of that company may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by the shareholder;
  - (b) a proxy may delegate the proxy's authority to act on behalf of the shareholder to another person, subject to any restriction set out in the instrument appointing the proxy; and
  - (c) a copy of the instrument appointing a proxy must be delivered to the Company, or to any other person on behalf of the Company, before the proxy exercises any rights of the shareholder at a shareholders meeting.
- (4) Irrespective of the form of instrument used to appoint a proxy:
  - (a) the appointment is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder.
  - (b) the appointment is revocable unless the proxy appointment expressly states otherwise; and
  - (c) if the appointment is revocable, a shareholder may revoke the proxy appointment by:
    - (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and
    - (ii) delivering a copy of the revocation instrument to the proxy, and to the Company.
- (5) The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of:
  - (a) the date stated in the revocation instrument, if any; or
  - (b) the date on which the revocation instrument was delivered as required in subsection (4)(c)(ii).
- (6) If the instrument appointing a proxy or proxies has been delivered to a company, as long as that appointment remains in effect, any notice that is required by this Act or the Company's Memorandum of Incorporation to be delivered by the Company to the shareholder must be delivered by the Company to:
  - (a) the shareholder; or

- (b) the proxy or proxies, if the shareholder has:
  - (i) directed the Company to do so, in writing; and
  - (ii) paid any reasonable fee charged by the Company for doing so.
  
- (7) A proxy is entitled to exercise, or abstain from exercising, any voting right of the shareholder without direction, except to the extent that the Memorandum of Incorporation, or the instrument appointing the proxy, provides otherwise.
  
- (8) If a company issues an invitation to shareholders to appoint one or more persons named by the Company as a proxy, or supplies a form of instrument for appointing a proxy:
  - (a) the invitation must be sent to every shareholder who is entitled to notice of the meeting at which the proxy is intended to be exercised;
  - (b) the invitation, or form of instrument supplied by the Company for the purpose of appointing a proxy, must:
    - (i) bear a reasonably prominent summary of the rights established by this section;
    - (ii) contain adequate blank space, immediately preceding the name or names of any person or persons named in it, to enable a shareholder to write in the name and, if so desired, an alternative name of a proxy chosen by the shareholder; and
    - (iii) provide adequate space for the shareholder to indicate whether the appointed proxy is to vote in favour of or against any resolution or resolutions to be put at the meeting, or is to abstain from voting;
  - (c) the Company must not require that the proxy appointment be made irrevocable; and
  - (d) the proxy appointment remains valid only until the end of the meeting at which it was intended to be used, subject to subsection (5).
  
- (9) Subsections (8)(b) and (d) do not apply if the Company merely supplies a Generally available standard form of proxy appointment on request by a shareholder.



