



Transaction Capital Limited
(Incorporated in the Republic of South Africa)
Registration number: 2002/031730/06
JSE share code: TCP
ISIN: ZAE000167391
(**"TCP"** or **"the company"**)

ANNOUNCEMENT OF A PROPOSED RESTRUCTURE OF SHAREHOLDING IN TCP HELD BY THE KIMBERLEY INVESTMENT TRUST ("KIT"), THE RUTLAND TRUST ("RT") AND THE SUGAR TUBE TRUST ("STT") (COLLECTIVELY THE "JMR TRUSTS"), WAIVER OF A MANDATORY OFFER AND A PROPOSED SPECIFIC ISSUE OF SHARES FOR CASH TO JMR HOLDINGS PROPRIETARY LIMITED ("JMRH") (COLLECTIVELY THE "PROPOSED TRANSACTION")

1. INTRODUCTION

TCP shareholders are advised as follows –

1.1. The JMR Trusts and the board of directors of TCP wish to effect a restructure that will create control under a single legal entity, namely JMRH, for the benefit of TCP and its stakeholders and increase the JMR Trusts' aggregate shareholding in TCP, through JMRH, to 250 million ordinary no par value shares in TCP ("**TCP Shares**"). Accordingly –

1.1.1. subject to the fulfilment of certain suspensive conditions, the material one of which is detailed in paragraph 2.3 below, the JMR Trusts and JMRH will give effect to a restructure in terms of which each of the JMR Trusts, will transfer all of the TCP Shares held by them to JMRH by way of an exchange and in exchange for the allotment and issue of new ordinary shares in JMRH to the JMR Trusts, ("**Restructure**"); and

1.1.2. subject to the fulfilment of certain suspensive conditions, the material ones of which are detailed in paragraph 2.1 below, JMRH will subscribe for 3 377 821 TCP Shares, and TCP shall allot and issue such TCP Shares to JMRH as a specific issue of shares for cash in accordance with the applicable requirements of the Listings Requirements ("**Listings Requirements**") of the JSE Limited ("**JSE**") and the provisions of the Companies Act 2008, as amended ("**Companies Act**") at a subscription price of R11,65 per TCP Share, being the higher of (i) R11,65 per TCP Share and (ii) the volume weighted average closing price per TCP Share traded on the JSE over the 30 trading day period prior to 31 August 2016 (being the date on which the agreement in respect of the specific issue of shares for cash was signed and the price envisaged therein agreed) ("**Specific Issue of Shares for Cash**").

The Restructure and the Specific Issue of Shares for Cash are conditional on and indivisible with one another.

- 1.2. Jonathan Michael Jawno ("**Jawno**"), Michael Paul Mendelowitz ("**Mendelowitz**") and Roberto Rossi ("**Rossi**") (collectively the "**Founders**") are the architects / founders of the business of TCP, and are directors of TCP. Each of Jawno, Mendelowitz and Rossi are in addition to the members of their respective families, discretionary beneficiaries of their respective family trusts, namely, KIT (in the case of Jawno), RT (in the case of Mendelowitz) and STT (in the case of Rossi). JMRH is beneficially held by the JMR Trusts in equal shares.
- 1.3. Upon implementation of the Proposed Transaction, JMRH will hold 250 million TCP Shares, representing approximately 43.48% of the entire issued share capital of TCP.

2. **SUSPENSIVE CONDITIONS TO THE PROPOSED TRANSACTION**

- 2.1. The Specific Issue of Shares for Cash is subject to the fulfilment of the following key suspensive conditions which remain unfulfilled as at the date of this announcement:
 - 2.1.1. the Restructure becoming unconditional in all respects;
 - 2.1.2. valid shareholder approval for the waiver of a mandatory offer in accordance with the regulations promulgated in terms of section 223 of the Companies Act, as amended (the "**Regulations**") and, in particular, Regulation 86(4) of the Regulations, and such other resolutions as are required in terms of the Companies Act and the Listings Requirements by virtue of the Specific Issue of Shares for Cash being an issue to JMRH, being a non-public shareholder of, and a related party to, TCP (including a resolution requiring support from TCP shareholders holding at least 75% of the total number of votes exercised by TCP shareholders present and eligible to vote on such resolution at the general meeting of TCP shareholders, as envisaged in the Listings Requirements). In this regard it is noted that the JMR Trusts and any of their associates will be precluded from voting (where applicable) on the resolutions relating to the Specific Issue of Shares for Cash, due to their participation in the Specific Issue of Shares for Cash. The JMR Trusts and any of their associates will also be precluded from voting on the waiver of mandatory offer and the other resolutions in terms of the Companies Act;
 - 2.1.3. approval by the Competition Authorities for the implementation of the Proposed Transaction;
 - 2.1.4. the grant of the waiver ruling envisaged in the TRP guideline 2/2011 which is required for the waiver of mandatory offer ("**TRP Waiver Ruling**"); and
- 2.2. within 5 business days from the date TCP announces on SENS the results of the TRP Waiver Ruling (or such longer period as may be allowed by the Takeover Special Committee), no TCP shareholder/s requests the Takeover Special Committee to review the TRP Waiver Ruling or if TCP shareholder/s requests the Takeover Special Committee to review the TRP Waiver Ruling, the Takeover Special

Committee confirms the TRP Waiver Ruling, such that the TRP waiver proceedings may then be regarded as complete.

- 2.3. The Restructure in turn is subject to the fulfilment of the following key suspensive condition which remains unfulfilled as at the date of this announcement: the Specific Issue of Shares for Cash becoming unconditional in all respects.
- 2.4. If the aforementioned suspensive conditions are fulfilled then there will be no requirement for JMRH and, if applicable, any other party acting in concert with it to make a mandatory offer to the holders of the remaining securities of TCP. Conversely, if any of the aforementioned suspensive conditions are not fulfilled then the Proposed Transaction will fail in its entirety and there will be no requirement for JMRH and, if applicable, any other party acting in concert with it to make a mandatory offer to the holders of the remaining securities of TCP.

3. RATIONALE FOR THE PROPOSED TRANSACTION

Upon implementation of the Proposed Transaction, TCP will, for the first time, have a single shareholder of reference holding over 35% of TCP Shares. The Proposed Transaction will result in the following benefits for TCP and all its stakeholders:

- 3.1. TCP is a financial services group and the stability and continuity of having a committed shareholder of reference, owned by the JMR Trusts, will facilitate continued confidence in TCP and particularly in its activities in the debt and equity markets;
- 3.2. TCP's ratings and credit spreads are likely to be enhanced by the visible backing and continuity of the Founders;
- 3.3. the clear effective control and continuity in the TCP group arising from the Proposed Transaction should facilitate TCP's ability to attract and retain management talent and skills;
- 3.4. at present, there are no agreements between the JMR Trusts. Post the implementation of Proposed Transaction, if the circumstances of any of the individual families in respect of the JMR Trusts change due to inheritances or otherwise, it is likely that the JMRH structure will be unaffected - again facilitating continuity;
- 3.5. the subscription of TCP Shares by JMRH in terms of the Specific Issue of Shares for Cash, not only adds to the capital of TCP but also signals the continued support of the Founders and their perception of value at the current price levels; and
- 3.6. through the new JMRH structure, the board of directors of TCP will be able to interact with a shareholder of reference with one voice on strategic and industry matters for the benefit of TCP.

4. PRO FORMA FINANCIAL EFFECTS OF THE PROPOSED TRANSACTION

The table below reflects the pro forma financial effects of the Proposed Transaction on a TCP shareholder:

	Before the Specific Issue of Shares for Cash¹	After the Specific Issue of Shares for Cash²	
	(cents)	(cents)	% change
Net asset value per share	477,2	480,9	0,8%
Tangible net asset value per share	434,3	438.30	0.9%
Headline earnings per share	37,0	37,0	0,0%
Basic earnings per share	37,0	37,0	0,0%
Diluted basic earnings per share	36,6	36,6	0,0%

Notes and assumptions:

1. The "Before the Specific Issue of Shares for Cash" column has been extracted, without adjustment, from TCP's interim results for the six months ended 31 March 2016.
2. The "After the Specific Issue of Shares for Cash" column above reflect the pro forma effects on the published interim results of TCP resulting from the Specific Issue of Shares for Cash.
3. The following adjustments have been applied and are reflected in the pro forma financial effects:
 - Proposed Transaction costs of R 2.19 million (including VAT) have been allocated to the stated capital in accordance with IAS 32.
 - The saving in interest expense has been calculated based on a R39 million cash amount received less Proposed Transaction costs of R 2.19 million (including VAT) applied to external debt at a pre-tax rate of 12.10% p.a.
 - The Proposed Transaction has been assumed to have taken place at a fair market value due to the subscription price of the Specific Issue of Shares for Cash taking place at a subscription price of R11,65 per TCP Share. As a result, no discount or option expense has been recognised in terms of IFRS 2.
 - There are no other events after the reporting date which require inclusion in the pro forma financial effects presented.
 - Headline earnings is equal to the profit after tax for the period as there are no headline earnings adjustments required.

4. TIMING REGARDING DISTRIBUTION OF CIRCULAR AND NOTICE OF GENERAL MEETING

Further details pertaining to the Proposed Transaction will be included in a further announcement setting out the salient dates and times in relation to the Proposed Transaction which announcement will be released in due course. Full details pertaining to the Proposed Transaction will be included in the combined circular to TCP shareholders regarding, *inter alia*, the Specific Issue of Shares for Cash and a waiver of the requirement for JMRH and any other party which may be acting in concert with it to make a mandatory offer to the holders of

the remaining securities of TCP ("**Circular**"). It is anticipated that the Circular will be posted to TCP shareholders on or about 16 September 2016. The Circular will incorporate (i) a fair and reasonable opinion in terms of Regulation 86(7) of the Regulations; (ii) a notice of general meeting to be held on or about 17 October 2016 for the purpose of considering and, if deemed fit, passing the resolutions required to implement the Proposed Transaction and (iii) a form of proxy.

Dunkeld West, Johannesburg
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