



**SENWES LIMITED**

**ISIN NUMBER: ZAEZ00000018**

(Incorporated in the Republic of South Africa)

(Registration number 1997/005336/06)

**("Senwes")**

**SENWESBEL LIMITED**

**ISIN NUMBER: ZAEZ00000026**

(Incorporated in the Republic of South Africa)

(Registration number 1996/017629/06)

**("Senwesbel")**

(jointly referred to as the "**Senwesbel Group**")

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## **NOTICE TO SENWESBEL AND SENWES SHAREHOLDERS RELATING TO THE FINANCIAL IMPACT OF THE PROPOSED OFFER TO ACQUIRE THE ENTIRE ISSUED SHARE CAPITAL OF SUIDWES IN TERMS OF A SCHEME OF ARRANGEMENT**

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### **1 INTRODUCTION**

- 1.1 The Senwesbel Group shareholders are referred to the cautionary announcement of 5 December 2019, as well as the joint firm intention announcement of 5 February 2020, issued by Senwesbel, Senwes and Suidwes Holdings (Ring-Fenced) Proprietary Limited (Registration number 1998/007242/07) ("**Suidwes**") (hereinafter referred to as the "**Joint Announcement**"). The boards of directors of the Companies (each of the "**Senwes Board**", the "**Suidwes Board**" and the "**Senwesbel Board**") informed their respective shareholders that Senwes and Suidwes have entered into a loan ("**the Loan Agreement**") and Senwesbel, Senwes and Suidwes have entered into an implementation agreement ("**Implementation Agreement**") in terms of which *inter alia*:
- 1.1.1 Senwes will lend and advance a convertible loan to Suidwes Investments Proprietary Limited ("**Suidwes Investments**") to settle the current Suidwes Investments facilities at the Land and Agricultural Bank of South Africa ("**the Land Bank**") against adequate and appropriate security cover in terms of the Loan Agreement and security arrangements; and
- 1.1.2 Senwesbel and Senwes shall subsequently propose to the Suidwes shareholders ("**Suidwes Scheme Participants**") that Senwesbel and Senwes acquire the entire issued ordinary and preference share capital of Suidwes (collectively "**Scheme Shares**"), by way of a scheme of arrangement (the "**Scheme**" or the "**Suidwes Scheme**") in terms of section 114 of the Companies Act, No. 71 of 2008, as amended (the "**Companies Act**"), as at the applicable record date against payment of either the Senwesbel Share Consideration and/or the Senwes Cash Consideration, or both as contemplated in the Joint Announcement ("**the Offer**"); and
- 1.1.3 Senwes will eventually become Suidwes Investments shareholder.
- 1.2 The Offer, as contemplated in paragraph 1.1.2 are subject to the fulfilment of the conditions precedent as per the Joint Announcement.
- 1.3 The purpose of this announcement is to inform the Senwesbel and Senwes shareholders of the Loan Agreement and the Implementation Agreement ("**the Transactions**") and its *pro forma* financial impact on the Senwesbel Group as contemplated above.

## 2. PRO FORMA EFFECTS ON SENWESBEL AND SENWES PER SHARE

### **Assumptions and basis for preparation**

The financial effects are presented in accordance with ZARX's Listing Requirements and the guide on *pro-forma* financial information issued by the *South African Institute of Chartered Accountants (SAICA)*. The financial effects have been prepared using the Senwesbel Group's accounting policies and are consistent with International Financial Reporting Standards ("IFRS") with the basis on which historical information has been prepared in terms of the accounting policies as at 30 April 2019. The relevant ratios are based on forecasted financial information for the year ended 30 April 2020 for Suidwes, Senwesbel and Senwes.

	Impact (% change) per share		
Senwes Group	Net asset value	Earnings	Headline earnings
Option 1: Senwesbel shares for Suidwes shares (share for share swap)	-2.69	-1.60	-4.61
Option 2: Senwes purchases shares from Suidwes (cash for share)	3.87	51.11	4.80
Option 3: Equal acceptances between Senwesbel (shares) and Senwes (cash) considerations	0.59	25.05	0.41

  

Senwesbel Group	Net asset value	Earnings	Headline earnings
Option 1: Senwesbel shares from Suidwes (share for share swap)	-14.25	57.46	-11.20
Option 2: Senwes purchases shares from Suidwes (cash for share)	3.14	51.11	4.80
Option 3: Equal acceptances between Senwesbel (shares) and Senwes (cash) considerations	-5.49	30.43	-3.61

### **Explanatory notes regarding the Transactions:**

- *Senwesbel is the holding company of Senwes ("Senwesbel Group") and Senwes Group includes all its subsidiaries, joint ventures and associates ("Senwes Group") as defined in the Companies Act.*
- **Options 1, 2 and 3 refers to the financial impact on respectively Senwes and Senwesbel in the following events:**  
*Option 1: all Suidwes Shareholders accept the Share Consideration;*  
*Option 2: all Suidwes shareholders accept the Cash Consideration at the agreed market price;*  
*Option 3: this option illustrates the impact in the event that Suidwes Shareholders accept both the Share and the Cash Consideration at a ratio of 50% shares 50% cash (shareholders may accept any ratio).*
- *The loan will bear interest at the prime interest rate.*
- *The entire capital amount of the loan will be converted to ordinary shares on 30 June 2021, or by no later than the fulfilment of the conditions precedent as per the Joint Announcement, whichever occurs first.*
- *Senwes is to acquire the Suidwes shares acquired by Senwesbel in terms of the Suidwes Scheme by issuing Senwes shares to Senwesbel at the prevailing market value at date of such acquisition.*

### **Assumptions in the calculation of the above ratios:**

- *The forecasted figures as at, and for the year ended 30 April 2020 are used in order for the entities to be more comparable as Suidwes' recent results include various material abnormal and/or once-off events.*
- *From the Senwesbel and Senwes' Groups' perspective the forecasted figures include the estimated impact of all of its recent other material transactions.*
- *The forecasted figures are based on accounting policies as applicable at 30 April 2019.*
- *All loans between Senwes, Suidwes and any commercial bank will be at arm's length and the interest on these loans will be settled on a monthly basis.*
- *The interest payable on the loans will be fully deductible for income tax purposes.*

- Tax will be levied at the normal income tax rate of 28%.
- The Senwesbel Group will acquire 100% of the Suidwes group (as stipulated in SAICA's guide on pro forma financial statements), thus Suidwes will be consolidated on a line for line basis, eliminating Suidwes' equity.
- Furthermore, for purposes of these pro-forma financial calculations, it is assumed that Suidwes' assets and liabilities are equal to its fair value (no fair value impact from applying IFRS 3).
- when the fair value of assets obtained, and liabilities assumed exceed the consideration paid a gain on bargain purchase is recognised in the profit and loss statement.
- For purposes of the share swap, the current proposed terms provide that the Senwesbel Group will pay for the Suidwes shares by the issue of Senwes shares, providing capital gains tax roll over relief to the Suidwes shareholder.

After implementation of the Scheme, the Senwesbel Group shall have committed R630 million to the Suidwes Group in accordance with the Suidwes Scheme including the conversion of the loan into equity as contemplated in the Loan Agreement. The financial impact upon the Senwesbel Group has been calculated based upon the assumption that all the steps in the Transactions have been successfully implemented as described above in paragraph 1 and in the Joint Announcement. Suidwes shareholders shall be provided with the comprehensive particulars of the steps for the Offer in a Notice and Offer Circular that will be provided to them on or about 3 April 2020.

### **3 BOARDS' RESPONSIBILITY STATEMENT**

The respective Senwesbel and Senwes' Boards accept responsibility for the information contained in this announcement, and confirm that, to the best of their knowledge and belief, such information set out herein is true and this announcement does not omit anything likely to affect the importance of such information included.

Both the Senwesbel and Senwes boards are of the view that the Transactions, as contemplated in the Joint Announcement, does not only fit in with the well-known consolidation strategy of Senwesbel Group, but will also ensure the continued prosperity and support to the Suidwes clients in ensuring the preservation of strategic commercial agricultural assets that have been accumulated for more than a century.

### **4 WITHDRAWAL OF THE CAUTIONARY ANNOUNCEMENT**

Following the announcement published on 5 of December 2019, the cautionary announcement is hereby withdrawn and caution is no longer required to be exercised when dealing in Senwesbel and Senwes shares.

By order of the Boards of Directors.

**EM Joynt (Mrs)**  
**COMPANY SECRETARY**  
**APPOINTED ADVISOR FOR SENWESBEL AND SENWES**  
**KLERKSDORP**

**Tel no. (018) 464 7104**

**27 February 2020**

For share trading in the Senwesbel Group, refer to ZARX, the licenced exchange on which Senwesbel and Senwes are listed at: [www.zarx.co.za](http://www.zarx.co.za)