

## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions and interpretations commencing on page 5 of the Circular apply, *mutatis mutandis*, to this cover.

### ACTION REQUIRED BY TREMATON SHAREHOLDERS

- This entire Circular is important and should be read with particular attention to the section entitled "Action required by Shareholders" on page 3.
- If you are in any doubt as to what action you should take arising from this Circular, you should consult your CSDP, Broker, banker, legal adviser, accountant or other professional adviser immediately.
- If you have disposed of all of your Trematon Shares, please forward this Circular, together with the attached form of proxy to the purchaser of such Shares or to the Broker, CSDP or other agent through whom the disposal was effected.
- Trematon does not accept responsibility and will not be held liable for any failure on the part of the CSDP or Broker of any holder of Dematerialised Trematon Shares to notify such Trematon Shareholder of the transactions and actions set out in this Circular.



## TREMATON CAPITAL INVESTMENTS LIMITED

(Incorporated in the Republic of South Africa)  
(Registration number 1997/008691/06)  
JSE share code: TMT      ISIN: ZAE000013991  
("Trematon" or "the Company")

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## CIRCULAR TO TREMATON SHAREHOLDERS

regarding

– **the Acquisition by Trematon of the Acquisition Portfolio from Redefine, constituting a Category 1 transaction for the Company in terms of the JSE Listings Requirements;**

and incorporating

– **a notice convening a General Meeting of Trematon Shareholders; and**

– **a form of proxy in respect of the General Meeting of Trematon Shareholders (for use by Certificated Shareholders and Dematerialised Own-name Shareholders only).**

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JSE Sponsor



Reporting Accountants



Legal Adviser



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Date of issue: 15 December 2016

Copies of this Circular are available in English only and may, from Thursday, 15 December 2016 until Friday, 20 January 2017 (both days inclusive), be obtained from the registered office of the Company, from the Sponsor and the Transfer Secretaries, at the addresses set out in the "Corporate Information" section of this Circular. A copy of this Circular will also be available on the Company's website ([www.trematon.co.za](http://www.trematon.co.za)).

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## CORPORATE INFORMATION

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### Company secretary and business address

Shiree Litten  
3rd Floor, Aria North Wharf  
42 Hans Strijdom Avenue  
Cape Town, 8001  
(PO Box 7677, Roggebaai, 8012)

### Transfer secretaries

Link Market Services South Africa Proprietary Limited  
(Registration number 2000/007239/07)  
13th Floor, Rennie House  
19 Ameshoff Street  
Braamfontein, 2001  
(PO Box 4844, Johannesburg, 2000)

### Reporting Accountants

KPMG Inc.  
MSC House  
1 Mediterranean Street  
Foreshore  
Cape Town, 8001

### Date and place of incorporation

Pretoria, South Africa  
5 June 1997

### JSE Sponsor

Sasfin Capital, a division of Sasfin Bank Limited  
(Registration number 1951/002280/06)  
29 Scott Street  
Waverley, 2090  
(PO Box 9510, Grant Park, 2051)

### Legal Advisers

Bernadt Vukic Potash & Getz  
11th Floor  
No.1 Thibault Square  
Cape Town, 8001  
(PO Box 252, Cape Town, 8000)

### Property Valuers

Old Mutual Investment Group – Property Valuations  
Mutualpark  
Jan Smuts Drive  
Pinelands, 7405  
(PO Box 878, Cape Town 8000)

Eris Property Group Proprietary Limited  
10th Floor  
80 Strand Street  
Cape Town, 8001  
(PO Box 4331, Cape Town, 8000)

Mills Fitchett Magnus Penny & Wolffs  
Suite SG110  
Ground Floor  
Great Westerford  
240 Main Road  
Rondebosch  
Cape Town, 7725

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## ACTION REQUIRED BY SHAREHOLDERS

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The definitions and interpretations commencing on page 5 of this Circular apply, *mutatis mutandis*, to the following section on action required by Trematon Shareholders.

**Please take careful note of the following provisions regarding the action required by Trematon Shareholders:**

1. If you are in any doubt as to what action to take, consult your Broker, CSDP, banker, attorney, accountant or other professional adviser immediately.
2. If you have disposed of all of your Trematon Shares, this Circular, together with the attached form of proxy, should be handed to the purchaser of such Shares or the CSDP, Broker or other agent through whom the disposal was effected.
3. This Circular contains information relating to the Acquisition. You should carefully read this Circular and decide how you wish to vote on the ordinary resolutions to be proposed at the General Meeting. The General Meeting will be held at Trematon's registered office, 3rd Floor, Aria North Wharf, 42 Hans Strijdom Avenue, Cape Town, 8001, on Friday, 20 January 2017 commencing at 10:00, at which General Meeting Trematon Shareholders will be requested to consider and, if deemed fit, to pass the resolutions set out in the Notice of General Meeting attached to this Circular.

#### 4. GENERAL MEETING

##### 4.1 If you hold Dematerialised Trematon Shares:

###### 4.1.1 **Own-name Registration**

You are entitled to attend in person, or be represented by proxy, at the General Meeting. If you are unable to attend the General Meeting, but wish to be represented thereat, you must complete and return the attached form of proxy, in accordance with the instructions contained therein, to be received by the Transfer Secretaries, Link Market Services South Africa Proprietary Limited, 13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein, 2001 (PO Box 4844, Johannesburg, 2000) by no later than 10:00 on Wednesday, 18 January 2017.

###### 4.1.2 **Other than Own-name Registration**

You are entitled to attend in person, or be represented by proxy, at the General Meeting. You must **not** however, complete the attached form of proxy. You must advise your CSDP or Broker timeously if you wish to attend, or be represented at the General Meeting. If your CSDP or Broker does not contact you, you are advised to contact your CSDP or Broker and provide them with your voting instructions. If your CSDP or Broker does not obtain instructions from you, they will be obliged to act in terms of your mandate furnished to them. If you do wish to attend or be represented at the General Meeting, your CSDP or Broker will be required to issue the necessary letter of representation to you to enable you to attend or to be represented at the General Meeting.

##### 4.2 If you hold Certificated Trematon Shares

You are entitled to attend, or be represented by proxy, at the General Meeting. If you are unable to attend the General Meeting, but wish to be represented thereat, you must complete and return the attached form of proxy, in accordance with the instructions contained therein, to be received by the Transfer Secretaries, Link Market Services South Africa Proprietary Limited, 13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein, 2001 (PO Box 4844, Johannesburg, 2000) by no later than 10:00 on Wednesday, 18 January 2017.

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## IMPORTANT DATES AND TIMES

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The definitions and interpretations commencing on page 5 of this Circular apply, *mutatis mutandis*, to this important dates and times section:

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**2016**

Record date for Shareholders to be recorded in the register in order to receive the Circular and Notice of General Meeting **Friday, 9 December**

Circular and Notice of General Meeting posted to Trematon Shareholders and announced on SENS on **Thursday, 15 December**

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**2017**

Last day to trade to be eligible to vote at the General Meeting on **Tuesday, 10 January**

Record date in relation to voting at the General Meeting on **Friday, 13 January**

Forms of proxy for the General Meeting to be received by 10:00 on **Wednesday, 18 January**

General Meeting of Trematon Shareholders at 10:00 on **Friday, 20 January**

Results of the General Meeting released on SENS on **Friday, 20 January**

Results of the General Meeting published in the South African press on **Monday, 23 January**

**Notes:**

1. The above dates and times are subject to amendment. Any amendment to the dates and times will be released on SENS.
2. The Acquisition is subject to the receipt of all necessary regulatory approvals, including the approval of the Acquisition by the Competition Authorities. As receipt of these regulatory approvals is difficult to timetable, the Company has assumed that the Acquisition will become unconditional on Friday, 20 January 2017.

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## DEFINITIONS AND INTERPRETATIONS

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In this Circular, unless otherwise stated or the context indicates a contrary intention, the following expressions shall have the meanings set out opposite them. Cognate expressions shall bear corresponding meanings, words denoting one gender shall include the others, natural persons shall include juristic persons and *vice versa* and the singular shall import and include the plural and *vice versa*.

"12 Nourse Avenue"	the immovable property referred to in the table at paragraph 7 of this Circular as 12 Nourse Avenue, situate in Epping 2, Cape Town and forming part of the Acquisition Portfolio;
"Abridged Valuations"	the abridged valuation reports on the Acquisition Properties, extracted from the detailed valuation reports that are available for inspection in terms of paragraph 23 of this Circular and are attached hereto as Annexures 5, 6 and 7;
"the Act"	the Companies Act, 2008 (Act 71 of 2008), as amended;
"Acquisition"	the transaction entered into between the Company and Redefine by means of the Acquisition Agreements, in terms of which the Company will acquire the Acquisition Portfolio from Redefine for the Purchase Consideration, subject to the fulfilment of the Acquisition Conditions Precedent;
"Acquisition Announcement"	the announcement on SENS of the details of the Acquisition on Monday, 31 October 2016;
"Acquisition Agreements"	the agreements entered into between Trematon, Aria Property Fund and Redefine on or about 27 October 2016, setting out the terms upon which Trematon will acquire the Acquisition Portfolio from Redefine, as amended by any addenda thereto;
"Acquisition Conditions Precedent" or "Conditions Precedent"	the conditions precedent to the Acquisition Agreements as detailed in paragraph 6 of this Circular;
"Acquisition Portfolio" or "Acquisition Properties" or "Properties"	the portfolio of immovable properties, including, in the case of all of the Properties except Pier Place, the Leases in respect of such properties, as detailed in paragraph 7 and Annexure 8 to this Circular, to be acquired by the Company in terms of the Acquisition Agreements from Redefine;
"Arbitrage Property Fund" or "Aria Property Fund"	Arbitrage Property Fund Proprietary Limited (Registration number 2005/020520/07), a private company incorporated under the laws of South Africa, a 67% held subsidiary of Trematon, trading as Aria Property Fund. The remaining interest in Aria is held by The Sphinx Trust, the investment trust of Mr Ilan Kaplan;
"Armchair Trust"	The Armchair Trust (Registration number IT1794/93), the family trust of Allan Groll, an executive director of Trematon;
"Bank Loan"	the loan obtained by Aria Property Fund from Nedbank Limited in accordance with the provisions of the Acquisition Agreements in the amount of R514 100 000 in respect of the Purchase Consideration;
"Berg River Park"	the immovable property referred to in the table at paragraph 7 of this Circular as Berg River Park, situate in Berg River Industrial Park, Paarl, Western Cape and forming part of the Acquisition Portfolio;
"Board" or "Directors"	the current board of directors of Trematon whose names and details are reflected in Annexure 10 to this Circular;
"Broker"	a "stockbroker" as defined in the Financial Markets Act;

"Buff-Shares"	Buff-Shares Proprietary Limited (Registration number 1999/026294/07, a private company incorporated under the laws of South Africa, a major Shareholder of Trematon;
"Business Day"	any day other than a Saturday, Sunday or public holiday officially recognised as such in South Africa;
"Certificated Shareholders"	Trematon Shareholders who hold Certificated Shares;
"Certificated Shares"	Trematon Shares represented by a share certificate or other physical documents of title, which have not been Dematerialised;
"Circular"	this bound document distributed to Shareholders, dated Thursday, 15 December 2016, containing the circular to Trematon Shareholders and annexures thereto and including the Notice of General Meeting and form of proxy, prepared in accordance with the Listings Requirements;
"Competition Authorities"	the competition commission established pursuant to Chapter 4, Part A, the competition tribunal established pursuant to Chapter 4, Part B or the competition appeal court established pursuant to Chapter 4, Part C of the Competition Act, Act 89 of 1998, as amended;
"CSDP"	a Central Securities Depository Participant, registered in terms of the Financial Markets Act, with whom a beneficial holder of Shares holds a Dematerialised Share account;
"Dematerialised Shareholders"	Shareholders who hold Trematon Shares which have been Dematerialised in terms of the requirements of Strate;
"Dematerialised Shares"	Trematon Shares which have been incorporated into the Strate system and which are no longer evidenced by Documents of Title;
"Dematerialised"	the process by which Shares are converted to or held in an electronic form as uncertificated Shares and are recorded in the sub-register of Shareholders maintained by a CSDP in terms of the requirements of Strate;
"Dematerialised Own-name Shareholders"	Shareholders who hold Dematerialised Shares who have instructed their CSDP to hold their Shares in their own name on the sub-register;
"Documents of Title"	Share certificates, certified transfer deeds, balance receipts or any other physical documents of title pertaining to the Trematon Shares in question and acceptable to the Board;
"Edgars Wynberg"	the immovable property referred to in the table at paragraph 7 of this Circular as Edgars Wynberg, situate in Wynberg, Cape Town and forming part of the Acquisition Portfolio;
"Effective Date"	the first Business Day after fulfilment or waiver, as the case may be of the Conditions Precedent;
"Eris Property Group"	Eris Property Group Proprietary Limited (Registration number 2008/006570/07), a private company incorporated under the laws of South Africa, the employer of Claire Everatt, the professional valuer of 12 Nourse Avenue and Berg River Park;
"Escalation Date"	in respect of Pier Place, 1 March 2017 and in respect of all other Properties, 1 January 2017;
"Escalation Rate"	0.667% per month, compounded monthly in arrear calculated from Escalation Date up to and including the Transfer Date of each of the Properties;
"General Meeting"	the general meeting of the Trematon Shareholders to be held at the registered office of the Company, 3rd Floor, Aria North Wharf, 42 Hans Strijdom Avenue, Cape Town, 8001 at 10:00 on Friday, 20 January 2017;



“Glenashley Views”	the immovable property referred to in the table at paragraph 7 of this Circular as Glenashley Views, situate in Glenashley, Durban, KwaZulu-Natal and forming part of the Acquisition Portfolio;
“Financial Markets Act”	the Financial Markets Act, No 19 of 2012;
“GLA”	the gross lettable area, being the total area of a property that can be rented to a tenant;
“IFRS”	International Financial Reporting Standards;
“Independent Reporting Accountants”	KPMG Inc. (Registration number 1999/021543/21), a company incorporated under the laws of South Africa;
“Interim Period”	the period commencing on the Effective Date and terminating on the Date of Transfer of each of the Properties, respectively;
“JSE”	JSE Limited (Registration number 2005/022939/06), a public company incorporated under the laws of South Africa, licensed as an exchange under the Financial Markets Act, and listed on the JSE;
“Last Practicable Date”	the last practicable date prior to the finalisation of the Circular, being Friday, 9 December 2016;
“Lease Agreements” or “Leases”	the current lease agreements concluded in respect of the Acquisition Portfolio, excluding Pier Place, which is acquired with vacant occupation;
“Listings Requirements”	the Listings Requirements of the JSE, as amended from time to time;
“Maynard Mall”	the immovable property referred to in the table at paragraph 7 of this Circular as Maynard Mall, situate in Wynberg, Cape Town and forming part of the Acquisition Portfolio;
“Mills Fitchett”	Mills Fitchett Magnus Penny and Wolffs trading as Magnus Penny Associates CC (Registration number CK2000/020267/23), a close corporation incorporated under the laws of South Africa, the employer of Michael Gibbons and Steven Wolffs, the professional valuers of Standard Bank George, Edgars Wynberg, Glenashley Views and Pier Place;
“NAV”	net asset value;
“Notice of General Meeting”	the notice of General Meeting, forming part of this Circular;
“Old Mutual Investment Group”	Old Mutual Investment Group Proprietary Limited (Registration number 1993/003023/07), a private company incorporated under the laws of South Africa, the employer of Trevor King, the professional valuer of Maynard Mall;
“Own-name Registration”	the registration of Shareholders who have Dematerialised their Shares and are recorded by the CSDP on the sub-registered kept by that CSDP in the name of such Shareholder;
“Pier Place”	the immovable property referred to in the table in paragraph 7 of this Circular as Pier Place, situate at Roggebaai, Cape Town, forming part of the Acquisition Portfolio, which is acquired with vacant occupation;
“Prime Rate” or “Prime”	the rate of interest which the Standard Bank Limited of South Africa from time to time quotes as being its prime rate of interest, as certified by any manager of the bank;
“Purchase Consideration”	the amount of R614 100 000 payable in cash to the Vendor in respect of the Acquisition as detailed in paragraph 5.2 of this Circular;
“Rand” or “R”	South African Rand, the official currency of South Africa;
“Register”	the register of Certificated Shareholders maintained by the Transfer Secretaries and the sub-register of Dematerialised Shareholders maintained by the relevant CSDPs;

“Redefine”	Redefine Properties Limited (Registration number 1999/018591/06), a public company incorporated under the laws of South Africa, a property entity, the shares of which are listed on the JSE;
“Sasfin”	Sasfin Capital, a division of Sasfin Bank Limited (Registration number 1951/002280/06), a public company incorporated under the laws of South Africa, the JSE sponsor to the Company;
“SAICA Guide”	the SAICA Guide on <i>pro forma</i> financial information issued by the South African Institute of Chartered Accountants;
“SARS”	the South African Revenue Services;
“SENS”	the Stock Exchange News Service of the JSE;
“South Africa”	the Republic of South Africa;
“Standard Bank George”	the immovable property referred to in the table at paragraph 7 of this Circular as Standard Bank George, situate in George, Western Cape and forming part of the Acquisition Portfolio;
“Strate”	Strate Proprietary Limited (Registration number 1998/022242/07), a private company incorporated under the laws of South Africa, a registered Central Securities Depository responsible for the electronic clearing and settlement system for transactions that take place on the JSE and off-market trades;
“Suikerbos Trust”	The Suikerbos Trust (Registration number IT6588/1991/PMB), a major Shareholder of Trematon;
“Transfer Date”	the applicable date of registration of the transfer of each of the Acquisition Properties to Trematon in accordance with the provisions of the Acquisition Agreements and in terms of the legislation and regulations and the practice and rules of the office of the relevant Registrar of Deeds;
“Transfer Secretaries”	Link Market Services South Africa Proprietary Limited (Registration number 2000/007239/07), a private company incorporated under the laws of South Africa;
“Trematon” or “the Company”	Trematon Capital Investments Limited (Registration number 1997/008691/06), a public company incorporated under the laws of South Africa, the Shares of which are listed on the JSE;
“Trematon Group” or “the Group”	Trematon and all of its subsidiaries, referred to collectively;
“Trematon Scheme”	The Trematon Share Incentive Scheme;
“Trematon Shareholders” or “Shareholders”	Certificated, Dematerialised or Dematerialised Own-name holders of Trematon Shares;
“Trematon Shares” or “Shares”	ordinary shares with a par value of 1 cent each in the capital of the Company, of which there are 217 713 829 in issue at the last practicable date;
“Valuers”	the registered valuers employed by Eris Property Group, Old Mutual Investment Group and Mills Fitchett, who valued the Acquisition Portfolio and whose reports are annexed to this Circular, referred to collectively;
“VAT”	value added tax; and
“Vendor”	Redefine.



## TREMATON CAPITAL INVESTMENTS LIMITED

Incorporated in the Republic of South Africa  
Registration number 1997/008691/06  
JSE share code: TMT ISIN: ZAE000013991

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### Directors

M Kaplan (*Independent Non-executive Chairman*)

JP Fisher (*Independent Non-executive Director*)

AM Louw (*Independent Non-executive Director*)

R Stumpf (*Non-executive Director*)

AJ Shapiro (*Chief Executive Officer*)

AL Winkler (*Chief Financial Officer*)

A Groll (*Executive Director*)

All Directors are South African.

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## CIRCULAR TO TREMATON SHAREHOLDERS

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### 1. INTRODUCTION AND PURPOSE OF THIS CIRCULAR

- 1.1 Shareholders are referred to the Acquisition Announcement published on SENS on Monday, 31 October 2016 and in the press on Tuesday, 1 November 2016, wherein they were informed that Trematon proposes to acquire the Acquisition Portfolio from Redefine in terms of the Acquisition Agreements.
- 1.2 The Acquisition constitutes a Category 1 transaction in terms of the Listings Requirements of the JSE and requires the approval by Trematon Shareholders of an ordinary resolution at the General Meeting.
- 1.3 The purpose of this Circular is to provide Trematon Shareholders with relevant information regarding the Acquisition in accordance with the JSE Listings Requirements to enable Shareholders to make an informed decision in respect of the resolutions authorising the Acquisition.
- 1.4 Attached to this Circular is a Notice of General Meeting convening the General Meeting at the registered office of the Company, 3rd Floor, Aria North Wharf, 42 Hans Strijdom Avenue, Cape Town, 8001 at 10:00 on Friday, 20 January 2017, at which the Shareholders will be requested to vote on the ordinary resolutions required to approve the Acquisition on the terms and conditions set out in this Circular.

### 2. DESCRIPTION OF GROUP BUSINESS

- 2.1 Trematon is an investment holding company, which invests in assets which the Company believes to be undervalued and where the price at which it can gain control of the asset is at a discount to the price which can be realised in due course. The broad aim is to achieve an average internal rate of return of more than 20%.
- 2.2 Trematon owns certain operating businesses with stable income but these tend to be outweighed by investment activities during the year. Current management has been in place since 1 April 2005. In the past 11 years the Group has developed into a diversified investment holding company with a strong balance sheet and a resilient portfolio, consisting of, *inter alia*, the following:

- **Club Mykonos Langebaan Proprietary Limited** (“Club Mykonos Langebaan”)

Club Mykonos Langebaan is comprised of several distinct business areas as detailed below. It is situated in Langebaan in the Western Cape which is close to Saldanha Bay. It is firmly established as one of the favoured family holiday destinations in the country. The resort has been awarded a 4-star grading by the Tourism Grading Council of South Africa and has received industry awards and recognition as one of the top resorts in South Africa. Occupancies are among the highest in the country and the infrastructure is continually being improved. Brand loyalty to Club Mykonos Langebaan is very high and most visitors are repeat customers.

*Mykonos Casino* – The casino is operated by Tsogo Sun Holdings Limited in a separate area of the resort. Trematon has entered into informal heads of agreement to dispose of its casino interest as detailed in paragraph 14.4 of this Circular.

*The Marina* -The marina continues to be a very sought-after yachting centre and berthing facilities are in high demand. Langebaan and the surrounding areas are gaining in popularity as a yachting and boating destination due to ideal sailing conditions and pressure on facilities in Cape Town. The continued investment in the marina has been well justified and it will remain a key asset of the resort.

*The Boatyard* – which is a boat and general storage facility is now established as the finest facility of its kind in the country. The boatyard consists of 251 garages that are built in line with demand. The Boatyard also runs a retail facility and offers boating related repairs and services.

*Rental of Commercial and Holiday Properties* – Club Mykonos Langebaan owns commercial properties that house restaurants, resort services and conference facilities. These commercial assets are leased out to operators who work with the resort to create attractive business which cater to holidaymakers and the growing local market. These properties generate consistent and growing rental income for the group as well as good profits for the operators.

*Club Mykonos Development Opportunities* – The major future potential of the resort lies in the undeveloped land areas. Club Mykonos Resort has 362 completed residential units called “kalivas”. These units are mainly owned by third parties and not by the development company. There is further capacity on the resort to develop up to 500 further residential units. The remaining zoned development land is in prime areas on, or close to, the water and has excellent potential for development. The latest project, Marina Village, which consists of 25 luxury waterfront units situated on the Marina is currently under construction with completion estimated to be at the beginning of 2017.

- **Generation Education**

Generation Education is a 75% held investment in a grouping of schools with a modern approach to education that uses Montessori principles in the early years and an internationally accredited curriculum provided by Cambridge University in the higher grades. The first school (Generation Sunningdale) was built at the end of 2015 and opened its doors in the current financial year. The demand for places at the school has exceeded expectations and the school is currently undergoing a major expansion. Although the schools are priced to be affordable, the model has proved to be commercially viable and we will continue to invest in the business. Further schools are being developed or planned in Hermanus, Noordhoek and Melkbos, Western Cape.

- **Aria Property Fund**

Aria Property Fund, previously trading as Arbitrage Property Fund, is a 67% held property investment subsidiary that specialises in purchasing and holding commercial, retail and industrial properties for rental income purposes with a focus on holding the properties for long-term investment and in order to earn good yields and capital growth. It has for some time been the stated objective of Trematon to grow this investment substantially.

- **Resi Investment Group** (“Resi”)

Resi, which includes the entities Resi Investment Trust, Lion Property Investment Trust and Tremprop Proprietary Limited, currently invests in and manages residential properties which have been purchased for both rental and capital growth. The portfolio remains focused in the Western Cape although opportunities further afield will be considered if they are large and attractive enough to justify the investment.

## **Joint Ventures and associates**

### **The Vredenburg Property Trust (“VPT”)**

VPT, a 50% joint venture of Aria Property Fund, owns the Vredenburg Mall in Vredenburg, Western Cape.

### **Tremtrust 1 (50%)**

Tremtrust, a 50% joint venture of Trematon owns the Northgate Park which is an A-grade office park located on the N1 highway in Cape Town. The refurbishment and redevelopment of the property has proven to be a success and it is now fully tenanted.

### **The Woodstock Hub Proprietary Limited**

The Woodstock Hub is a 50% joint venture of Trematon and is involved in the acquisition of properties in the Woodstock Area in Cape Town with the intention to redevelop both residential, commercial and mixed-use properties.

### **Buffshelf 70 Trust (20%)**

Buffshelf in which Trematon holds a 20% interest, owns the Cape Gate Value Centre situated in Brackenfell, Cape Town.

- **Other investments**

Trematon has active trading and investment portfolios which focus on both listed and unlisted companies and holds minority stakes in a variety of such companies from time to time.

- 2.3 There have been no changes in controlling shareholder or trading objects of Trematon and its major subsidiaries during the five years preceding the date of this Circular.

## **3. GROUP PROSPECTS**

All four major areas of operation (Aria, Resi, Club Mykonos and Generation Education) have made significant new investments and have good momentum for the forthcoming financial year.

Upon the successful conclusion of the Acquisition, the Aria portfolio will have more than doubled in size, exceeding R1 billion of high-quality institutional grade assets which provide a significant pipeline for valued added repurposing or redevelopment.

The Group will continue to explore opportunities and investigate future development possibilities at Club Mykonos Resort.

Resi’s acquisition strategy is to focus on the market segments above affordable housing in sought-after residential neighbourhoods. This market niche is management intensive and Resi has the skills to provide a highly desirable product at a competitive market rental.

Generation Education, although small as a proportion of the current net asset value of the Group, has excellent growth potential and the Group now owns four school sites with further sites under active investigation. Generation Education is likely to be one of the main focus areas going forward as the potential to roll out and expand the education business is attractive and expected to be profitable.

Trematon has a well-positioned portfolio of existing investments and sufficient balance sheet capacity to make material new investments should the opportunity arise.

## **THE ACQUISITION**

### **4. RATIONALE FOR THE ACQUISITION**

- 4.1 The Acquisition is in line with Trematon’s stated strategy of actively pursuing investment opportunities with a real return profile comprising both yield and capital growth which together have the potential to achieve Trematon’s internal rate of return targets.
- 4.2 After implementation of the Acquisition, Aria’s assets will increase to 21 assets with an approximate market value of R1.18 billion. The Aria portfolio, post implementation, will have a 90% geographical weighting towards the Western Cape in terms of asset value and it is the intention of Aria to retain this geographical bias moving forward in its strategy of building an institutional quality, Western Cape-based property fund.

- 4.3 The Acquisition will provide Aria with a well balanced mix of income producing assets with positive income growth potential and the opportunity to add value through *ad hoc* redevelopment projects and active hands-on asset management.

## 5. TERMS OF THE ACQUISITION

### 5.1 Introduction

- 5.1.1 On 26 October 2016 Trematon, via Aria Property Fund, its 67% held subsidiary, entered into the Acquisition Agreements in terms of which the Company will acquire, the seven immovable properties together with the Leases, constituting the Acquisition Portfolio, for an aggregate purchase consideration of R614 100 000, from Redefine.
- 5.1.2 The subject matter of the acquisition is the seven immovable properties and the revenue streams associated therewith, which include the fixed assets on the Properties, the assets used in connection with the management, control, maintenance and functioning of the buildings and the rights in terms of Lease Agreements and the service and maintenance contracts in respect of the Acquisition Properties. The subject matter excludes all movable assets and intellectual property rights, including goodwill, of the Vendor in respect of the Properties. Aria will employ none of the employees of the Vendor.
- 5.1.3 Pier Place is currently fully tenanted but will be acquired as a vacant office building.
- 5.1.4 The Properties are acquired in one indivisible transaction.
- 5.1.5 Particulars regarding the Acquisition Portfolio appear in paragraph 7 and Annexures 5 to 8 to this Circular.

### 5.2 Purchase Consideration

The aggregate Purchase Consideration for the Acquisition Portfolio is R614 100 000 and is allocated as set out in paragraph 7 below. The Purchase Consideration is payable in cash and will be satisfied as follows:

- 5.2.1 Trematon will pay Redefine R514 100 000, by means of the Bank Loan, funded by Nedbank Limited, which will be divided and allocated on a per Property basis as set out in paragraph 7 below on the following terms:
- 5.2.1.1 The Bank Loan will bear interest at a rate of Prime less 0.6% from time to time;
- 5.2.1.2 The term of the Bank Loan will be six years from the date of transfer of each Property, and will be payable as to interest only for the first two years thereof and amortising thereafter;
- and
- 5.2.2 Trematon has obtained the Vendor loan from Redefine in the aggregate amount of R100 000 000 on the following terms:
- 5.2.2.1 The Vendor Loan will be divided and allocated on a per Property basis as set out in paragraph 7 below and will be advanced on the Transfer Date of each Property;
- 5.2.2.2 The Vendor Loan will bear interest at the Prime Rate plus 1% from time to time;
- 5.2.2.3 The term of the Vendor Loan will, in respect of the amount allocated to a Property, be 12 months from the Transfer Date of each such Property; and
- 5.2.2.4 The term of the Vendor Loan can be extended at the request of Arbitrage for a further 12-month period at an interest rate of the Prime Rate plus 3%.

### 5.3 Effective Date and Transfer Date of the Acquisition

- 5.3.1 The Effective Date of the Acquisition is the first business day after the date of fulfilment of all of the Conditions Precedent.
- 5.3.2 The parties to the Acquisition Agreements shall use their respective best endeavours to procure that the Transfer Dates of the Properties will be as soon as practicably possible after the Effective Date.



- 5.3.3 Should transfer of any Property not take place by the relevant Escalation Date the Purchase Consideration in respect of that Property shall escalate monthly by the Escalation Rate until transfer is effected. Should transfer be effected during the course of a month, the escalation amount will be pro-rated for that portion of the month.
- 5.3.4 Subject to the settlement in full of the Purchase Consideration allocated to each Property, the ownership and possession of the Letting Enterprise, the occupation, subject to the Lease Agreements, of the Property and the sole risk, loss or profit in and to the Acquisition Portfolio will pass to Aria Property Fund in respect of each Property on the Date of Transfer of that Property.
- 5.3.5 Redefine will continue to conduct and manage the Leases on market-related terms in the ordinary course of business during the Interim Period.

#### 5.4 **Warranties**

- 5.4.1 The Acquisition Agreements contain such warranties and indemnities as are usual in property transactions of this nature.
- 5.4.2 The complete warranties provided by the Vendor appear from the Acquisition Agreements, which are available for inspection as set out in paragraph 23 below.
- 5.4.3 Subject to the warranties provided in the Acquisition Agreements the Acquisition Portfolio is sold voetstoots.

#### 5.5 **Additional material terms of the Acquisition**

- 5.5.1 The parties have agreed that the Vendor will reimburse the Company the amount of R7 800 000 for capital expenditure costs in respect of three of the Properties, which capital expenditure costs are detailed in paragraph 7 below and will be payable by the Vendor upon Date of Transfer of each of the relevant Properties.
- 5.5.2 The Acquisition is concluded on the basis that it shall amount to a zero-rated taxable supply in terms of section 11(1)(e) of the Value-Added Tax Act, 1991. Should SARS for any reason not deem the Acquisition to be VAT-able the Company will be liable for payment of the transfer duty as determined by SARS.

### 6. **CONDITIONS PRECEDENT TO THE ACQUISITION**

The Acquisition is subject to the fulfilment or waiver of the following outstanding Conditions Precedent, that:

- 6.1 regulatory approvals necessary for a transaction of this nature, including but not limited to, the approval by the Competition Authorities shall have been obtained; and
- 6.2 Trematon Shareholders shall have approved the Acquisition Agreements at the General Meeting.

### 7. **DETAILS OF THE ACQUISITION PORTFOLIO AND VALUATION REPORTS**

The Properties comprise the immovable properties, the buildings and fixed assets thereon, the lease agreements and service contracts in respect thereof and the movable assets, owned by the Vendor, therein. Details of each Property, including *inter alia* the location, property description, title deed number, sector, GLA and gross average rental per square metre, are set out in Annexure 8 to this Circular.

The Abridged Valuations on the Acquisition Portfolio are set out in Annexures 5 to 7 to this Circular. The detailed valuation reports are available for inspection as detailed in paragraph 23 below. The total market value of the Acquisition Portfolio in terms of the valuation reports of the Valuers is R628 655 000. The difference between the market value and the Purchase Consideration of the Acquisition Portfolio is attributable to the negotiation between the parties for the acquisition of the entire Acquisition Portfolio in one indivisible transaction in terms of which some Properties are acquired at a premium and some at a discount to their market value.

The income escalations referred to in the Abridged Valuations generally utilise estimated income growth figures for non-contractual income of the Properties and are in the region of 6% as detailed in each of the Abridged Valuations. Income growth achieved by each of the Acquisition Properties, as reflected in the

report of historical financial Information of the Acquisition Portfolio in Annexure 3 to this Circular, is based on actual contractual income achieved which generally reflects annual escalations in the region of 8%.

The portion of the Purchase Consideration, Bank Loan and Vendor Loan and the market value that are attributable to each of the Properties are set out below.

<b>Building</b>	<b>Property Description</b>	<b>Title Deed Number</b>	<b>Allocated Purchase Consideration R</b>	<b>Bank Loan allocation R</b>	<b>Vendor Loan allocation R</b>	<b>Capital Reimbursement R</b>	<b>Market value in valuation report</b>
Pier Place	Erf 170 Roggebaai, City of Cape Town	T13106/2011	170 000 000	115 661 045	54 338 955		172 755 000
Berg River Park	The Remaining Extent ("RE") of Erf 21279 Paarl	T53659/2010	100 000 000	86 300 000	13 700 000	3 800 000	96 400 000
12 Nourse Avenue	Erf 99971 Cape Town at Epping	T55386/2010	34 000 000	31 000 000	3 000 000	1 000 000	34 000 000
Edgars Wynberg	The RE of Erf 91503 Cape Town at Wynberg	T53598/2010	16 500 000	12 760 000	3 740 000		17 500 000
Standard Bank George	The RE of Erf 1549 and RE of Erf 1552 George	T55240/2010	15 100 000	14 000 000	1 100 000		15 500 000
Glenashley Views	Erf 527 Glenashley	T28444/2010	27 000 000	27 000 000	–		32 500 000
Maynard Mall	The RE of Erven 67925, 67947, 67949, 67957, 67959, 67960, 67958, and 92089 and Erf 67948 and Erf 92087 Cape Town at Wynberg	T58415/2010	251 500 000	227 378 955	24 121 045	3 000 000	260 000 000
<b>Total</b>			<b>614 100 000</b>	<b>514 100 000</b>	<b>100 000 000</b>	<b>7 800 000</b>	<b>628 655 000</b>

## 8. VENDOR INFORMATION

Redefine is a property company and is listed on the JSE. As a public listed company all of the financial and transaction information of Redefine is published and can be obtained from their website at [www.redefine.co.za](http://www.redefine.co.za). The address of Redefine's head office is Level 5, 19 Biermann Avenue, Rosebank, Johannesburg.

Based on information made public by Redefine, its market capitalisation on 31 October 2016 was approximately R57.9 billion, while its directly held property portfolio was valued at approximately R53.4 billion at the end of its most recent financial year ended 31 August 2016.

Redefine's stated strategy is to provide investors with predictable and sustained long-term growth, and an increase in distributions.

Redefine has been classified as a Real Estate Investment Trust (REIT) with effect from 1 September 2013.

## 9. FINANCIAL INFORMATION

### 9.1 Historical financial information

A report of historical financial information of the Acquisition Portfolio, showing the results of the Acquisition Portfolio for the financial years ended 31 August 2014, 31 August 2015 and 31 August 2016 is presented in Annexure 3 to this Circular and is the responsibility of the Directors.

The report of the Independent Reporting Accountants on the report of historical financial information on the Acquisition Portfolio is presented in Annexure 4 to this Circular.



## 9.2 **Pro forma financial effects**

The table below illustrates the *pro forma* financial effects of the Acquisition based on the Company's audited results for the year ended 31 August 2016. The preparation of the *pro forma* financial effects is the responsibility of the Directors of Trematon. The *pro forma* financial effects have been prepared for illustrative purposes only to provide information on how the Acquisition may have impacted on Trematon's financial performance and position and, due to the nature thereof, may not give a fair reflection of Trematon's financial performance and position. The reporting accountants' limited assurance report on the *pro forma* financial information contained in this Circular is set out in Annexure 2 to this Circular.

The *pro forma* financial information has been compiled using accounting policies that comply with IFRS and that are consistent with those applied in the audited consolidated annual financial statements of Trematon for the year ended 31 August 2016. The *pro forma* figures have been given no greater prominence than unadjusted financial figures, and are presented in a manner consistent with both the format and accounting policies adopted in the historical financial information and adjustments have been quantified on the same basis as would normally be calculated in preparing financial statements.

The *pro forma* consolidated statement of comprehensive income and statement of financial position, after the transactions, are set out in Annexure 1 to this Circular. The Reporting Accountants' report on the *pro forma* information is set out in Annexure 2 to this Circular.

	<b>Before the Acquisition</b>	<b>Adjustments</b>	<b>After the Acquisition</b>
Gross number of shares in issue	219 486 600	–	219 486 600
Weighted average number of shares in issue	216 964 384	–	216 964 384
Diluted weighted average number of shares in issue	234 753 255	–	234 753 255
Basic earnings per share (cents)	22.8	(23.5)	(0.7)
Diluted earnings per share (cents)	21.1	(21.8)	(0.7)
Headline earnings per share (cents)	1.7	22.2	23.9
Diluted headline earnings per share (cents)	1.6	20.5	22.1
Net asset value per share (cents)	255	–	255
Intrinsic net asset value per share (cents)	368	–	368

### **Notes and assumptions:**

1. The *pro forma* Statement of Comprehensive Income figures illustrate the possible financial effects as if the Acquisition had taken place on 1 September 2015.
2. The *pro forma* Statement of Financial Position figures have been based on the assumption that the Acquisition had taken place on 31 August 2016.
3. The "Before the Acquisition" column is based on the published audited financial information of Trematon for the year ended 31 August 2016, as released on SENS on 14 November 2016.
4. Once-off transaction costs of R1 270 000 have been incurred in respect of the Acquisition. These are inclusive of VAT (as Trematon is not registered as a VAT vendor and is therefore not in a position to claim the related input tax credits) and have been assumed to be non-tax deductible. The costs have been charged to profit or loss.
5. Current tax has been provided for on the net deductible expenses incurred on the transaction on the assumption that it occurred at the beginning of the year. Deferred tax liabilities are recognised for all taxable temporary differences and adjustments are recognised in profit and loss. Deferred tax is calculated at the tax rates that are expected to apply to the period when the liability is settled and includes the deferred tax (R3.3 million) on the fair value adjustment (R14.6 million) relating to the difference between the fair value of the properties acquired and the purchase consideration.

## **GENERAL INFORMATION**

### **10. GENERAL MEETING**

A General Meeting of Trematon Shareholders will be held at Trematon's registered office, 3rd Floor, Aria North Wharf, 42 Hans Strijdom Avenue, Cape Town, 8001, on Friday, 20 January 2017 commencing at 10:00, to consider and, if deemed fit, to pass, with our without modification, the ordinary resolutions set out in the Notice of General Meeting attached to this Circular.

## 11. DETAILS OF DIRECTORS

The full details of the Directors, and their interests in the Acquisition are set out in Annexure 10 to this Circular.

## 12. MAJOR SHAREHOLDERS

The major Shareholders of Trematon who, as at the Last Practicable Date, were beneficially interested, directly or indirectly, in 5% or more of the issued share capital of the Company, are set out below:

Shareholder	Shareholding	%
The Suikerbos Trust <sup>1</sup>	66 107 160	30.12
The Armchair Trust <sup>2</sup>	46 000 000	20.96
Buff-Shares <sup>3</sup>	19 019 803	8.67
<b>Total</b>	<b>131 126 963</b>	<b>59.75</b>

1. The trustees of Suikerbos Trust are Buffet Trustees Proprietary Limited and the trust is a discretionary trust.
2. The trustees of Armchair Trust are A Groll, D Kretzmar and H Saven. The beneficiaries of Armchair Trust are family members of A Groll and their family trusts.
3. AJF Mundell is the director of Buff-Shares and The Fynbos Trust, a discretionary trust, is the sole shareholder.

## 13. MATERIAL BORROWINGS

The details of material loans made to Trematon and/or to any of its subsidiaries as at 31 August 2016, are set out in the table below:

Bank	Company	How arose	Amount	Terms	Interest rate	Secured – details
Absa Bank	Aria Property Fund	For purchase of properties	14 274 962	10 years amortising, expires December 2022	Prime – 0.6%	First covering mortgage bond over relevant erf Gansbaai
Standard Bank	Aria Property Fund	For purchase of properties	177 478 576	3 years amortising, expiry August 2018	Prime – 0.65%	First covering mortgage bond over relevant erven.
Standard Bank	Aria Property Fund	For purchase of properties	17 299 603	3 years amortising, expiry March 2019	Prime – 0.5%	First covering mortgage bond over relevant erf.
Investec	Aria Property Fund	For purchase of properties	43 854 028	3 years amortising, expiry March 2018	Prime – 0.65%	First covering mortgage bond over relevant erf.
Investec	Aria Property Fund	For purchase of properties	10 285 128	5 year amortising, expiry Jan 2019	Prime – 0.5%	Secured over relevant erf
Nedbank	Aria Property Fund	For purchase of properties	34 379 054	6 years interest only, expiry August 2021	Prime – 0.25%	Secured over various properties.
Investec	Tremprop (Pty) Ltd	For purchase of properties	44 022 511	5 year amortising, expiry Aug 2019	Prime – 0.25%	Secured over relevant residential units.
Nedbank	Resi Investment Trust	For purchase of properties	54 440 238	Interest only, expiry June 2018	Prime	Secured over various properties.
Investec	Resi Investment Trust	For purchase of properties	17 071 242	Interest only, expiry Jan 2017	Prime – 0.25%	Secured over relevant erf.
Investec	Resi Investment Trust	For purchase of properties	21 598 753	Interest only, expiry Sep 2020	Prime – 1%	Secured over various units Hibernian Towers.
Investec	West Coast Holiday Lifestyles (Pty) Ltd	For construction of properties	11 384 818	5 year, amortising, expiry Aug 2019	Prime – 0.25%	Secured over relevant erf.
Redefine Vendor Loan	Aria Property Fund	For purchase of Acquisition Portfolio	100 000 000	12 months from date of transfer as set out in paragraph 5.2 above	Prime +1%	Secured over Properties as set out in paragraph 7 above.
Nedbank Bank Loan	Aria Property Fund	For purchase of Acquisition Portfolio	514 100 000	6 years interest only for first 2 years, amortising thereafter.	Prime – 0.6%	Secured over the Acquisition Properties.

#### 14. MATERIAL CONTRACTS

As at the Last Practicable Date, there have been no material contracts entered into, either verbally or in writing, by Trematon or any of its subsidiaries, being restrictive funding arrangements and/or a contract entered into otherwise than in the ordinary course of the business carried on by the Trematon Group, and:

- (a) entered into within the two years prior to the date of this Circular; or
- (b) entered into at any time and containing an obligation or settlement that is material to the Trematon Group at the date of this Circular,

other than the Acquisition Agreements and the following material contracts:

- 14.1 On 31 March 2015 Trematon announced on SENS that it had, via Aria Property Fund, acquired a portfolio of three commercial properties from Redefine for an aggregate purchase price of R203 186 000. This Category 2 acquisition became effective during the 2015 financial year.
- 14.2 On 30 September 2016 Trematon entered into a 50:50 joint venture with a consortium of unrelated investors to purchase residential property units in Sanddrift, Cape Town to the value of R83 million. The majority of Trematon's portion of the purchase price is funded by a bank loan.
- 14.3 On 14 November 2016 Trematon announced on SENS that it had, via Club Mykonos Langebaan Proprietary Limited, its wholly owned subsidiary, entered into informal heads of agreement to dispose of its interest in West Coast Leisure Proprietary Limited to Tsogo Sun Holdings Limited for a consideration of R190 000 000.

#### 15. MATERIAL CHANGES

As at the Last Practicable Date, and having regard to the effects of the Acquisition detailed in this Circular, there have been no material changes in the financial or trading position of the Trematon Group since the publication of Trematon's audited results for the year ended 31 August 2016.

#### 16. ADEQUACY OF CAPITAL STATEMENT

The Directors are of the opinion that the working capital available to the Trematon Group is sufficient for the Trematon Group's present working capital requirements and will, after the implementation of the Acquisition, be adequate for at least 12 months from the date of issue of this Circular.

#### 17. LITIGATION STATEMENT

The Directors of Trematon are not aware of any legal or arbitration proceedings (including any such proceedings that are pending or threatened), involving the Trematon Group or the Acquisition Portfolio, which may have, or have had, a material effect on the Trematon Group's financial position during the last 12 months preceding the date of this Circular.

#### 18. EXPENSES

The estimated costs of the Acquisition, which costs shall be borne by the Company, are approximately R1 270 000 excluding VAT. This amount is allocated as follows:

<b>Name</b>	<b>R'000</b>
Sasfin Capital – JSE sponsor	500
KPMG – reporting accountants	430
Old Mutual Property Valuations – valuers	10
Eris Property Group – valuers	5
Mills Fitchett – valuers	5
Bernadt Vukic Potash and Getz – Legal adviser	50
JSE documentation fee	48
Announcement publication costs	50
Printing	150
Miscellaneous and contingencies	22
<b>Total</b>	<b>1 270</b>

Trematon has incurred no preliminary expenses in relation to the Acquisition during the three years preceding this Circular.

**19. DIRECTORS' OPINION, RECOMMENDATION AND UNDERTAKINGS**

The Board has considered the terms and conditions of the Acquisition and is of the opinion that the terms and conditions thereof are beneficial to Trematon Shareholders, and recommends that Trematon Shareholders vote in favour of the resolutions approving the Acquisition at the General Meeting. All the Directors who own Trematon Shares in their personal capacity, as set out in Annexure 9 to this Circular, and are able to vote, intend voting in favour of the Acquisition at the General Meeting.

**20. SHAREHOLDER IRREVOCABLE UNDERTAKINGS**

The following Trematon Shareholders holding 64.4% of Trematon's issued share capital have irrevocably undertaken to vote in favour of the Acquisition at the General Meeting.

Shareholder	Number of shares	%
Armchair Trust	46 000 000	21.1
The Suikerbos Trust	66 107 160	30.4
Buff-Shares	19 019 803	8.7
Salvete Trust	9 250 243	4.2
		<b>64.4</b>

The irrevocable undertakings are available for inspection in terms of paragraph 23 below.

**21. ADVISERS' CONSENTS**

Each of Sasfin, KPMG Inc., the Valuers, Bernadt Vukic Potash and Getz and the Transfer Secretaries has provided their written consent to the inclusion of their names and, where applicable, their reports in the form and context in which they appear in this Circular and have not withdrawn their consent prior to the publication of this Circular.

**22. DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors of Trematon, whose names are provided on page 9 of this Circular accept, collectively and individually, full responsibility for the accuracy of the information given in this Circular and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and that this Circular contains all information required by the Listings Requirements.

**23. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of this Circular will be available in English, along with the following documents, or copies thereof, which will be available for inspection, during normal business hours at the registered office of Trematon and the offices of Sasfin, from the date of this Circular up to and including the date of the General Meeting:

- the Memorandum of Incorporation of Trematon and its subsidiaries;
- Trematon's audited financial statements (Company and Group) for the years ended 31 August 2014, 2015 and 2016;
- the written consents of the appointed professional advisers as set out in paragraph 21 above;
- the signed reporting accountants' limited assurance report on the *pro forma* financial information of Trematon as set out in Annexure 2 to this Circular;

- the signed reporting accountants' report on the report of historical financial information of the Acquisition Portfolio;
- the detailed valuation report/s on the Acquisition Portfolio;
- the material contracts referred to in paragraph 14 above;
- the irrevocable undertakings referred to in paragraph 20 above;
- a signed copy of this Circular; and
- signed copies of the Acquisition Agreements.

Signed on behalf of all of the Directors of Trematon in terms of powers of attorney granted to them on 12 December 2016.

*Director*

*Director*

who warrant that they are duly authorised thereto.

Cape Town

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**PRO FORMA FINANCIAL INFORMATION OF TREMATON**

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The *pro forma* statement of comprehensive income and statement of financial position have been presented for illustrative purposes only to provide information on how the Acquisition may have impacted on Trematon's financial performance and financial position and, due to the nature thereof, may not give a fair reflection of Trematon's results, financial position and changes in equity after the Acquisition. It has been assumed for purposes of the *pro forma* financial information that the transaction took place with effect from 1 September 2015 for statement of comprehensive income purposes and 31 August 2016 for statement of financial position purposes. The directors of Trematon are responsible for the preparation of the *pro forma* statement of comprehensive income and statement of financial position.

The *pro forma* financial information has been compiled using accounting policies that comply with IFRS and that are consistent with those applied in the audited consolidated annual financial statements of Trematon for the year ended 31 August 2016. The *pro forma* figures have been given no greater prominence than unadjusted financial figures, and are presented in a manner consistent with both the format and accounting policies adopted in the historical financial information and adjustments have been quantified on the same basis as would normally be calculated in preparing financial statements.

The reporting accountants' report on the *pro forma* statement of comprehensive income and statement of financial position is set out in Annexure 2 to this Circular.

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Before the Acquisition <sup>3</sup>	Adjustments	After the Acquisition
<b>ASSETS</b>			
<b>Non-current assets</b>	1 024 092 037	628 655 000	1 652 747 037
Property, plant and equipment	37 359 195	–	37 359 195
Investment properties <sup>3</sup>	822 225 093	628 655 000	1 450 880 093
Investments	107	–	107
Investments in joint ventures	37 617 013	–	37 617 013
Investments in associate entities	99 042 904	–	99 042 904
Deferred tax asset	4 944 604	–	4 944 604
Loans receivable	22 903 121	–	22 903 121
<b>Current assets</b>	166 571 895	–	166 571 895
Investments	13 905 438	–	13 905 438
Loans receivable	10 376 931	–	10 376 931
Trade and other receivables	8 515 256	–	8 515 256
Inventories	101 212 845	–	101 212 845
Cash and cash equivalents	32 559 584	–	32 559 584
Current tax assets	1 841	–	1 841
<b>TOTAL ASSETS</b>	<b>1 190 663 932</b>	<b>628 655 000</b>	<b>1 819 318 932</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	601 222 366	–	612 517 046
Share capital and share premium	322 706 428	–	322 706 428
Treasury shares	(2 558 722)	–	(2 558 722)
Share based payment reserve	8 999 433	–	8 999 433
Fair value reserve <sup>5</sup>	12 388 375	11 294 680	23 683 055
Accumulates profit	214 654 978	–	214 654 978
Total equity attributable to equity holders of the parent	556 190 492	11 294 680	567 485 172
Non-controlling interest	45 031 874	–	45 031 874
<b>LIABILITIES</b>	589 441 566	617 360 320	1 206 801 886
<b>Non-current liabilities</b>	492 752 428	617 360 320	1 110 112 748
Loans payable <sup>4</sup>	444 178 811	614 100 000	1 058 278 811
Deferred tax liability <sup>5</sup>	48 573 617	3 260 320	51 833 937
<b>Current liabilities</b>	96 689 138	–	96 689 138
Loans payable	61 145 096	–	61 145 096
Current tax liabilities	1 916 202	–	1 916 202
Trade and other payables	33 627 840	–	33 627 840
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1 190 663 932</b>	<b>628 655 000</b>	<b>1 819 318 932</b>

### Notes and assumptions for the statement of financial position:

- The *pro forma* Statement of Financial Position figures have been based on the assumption that the Acquisition had taken place on 31 August 2016.
- The "Before the Acquisition" column is based on the published audited financial information of Trematon for the year ended 31 August 2016, as released on SENS on 14 November 2016.
- Represents the acquisition of investment properties with a fair value of R628.7 million for R614.1 million, comprising the purchase consideration for all Properties as listed in this Circular. The acquisition is an asset acquisition as it does not meet the definition of a business in accordance with paragraph 3 of IFRS 3. Trematon did not acquire any of the processes required to create outputs from Redefine in the transaction nor has it acquired any employees from Redefine, nor the property management company.
- Represents the total funding for the Acquisition, comprising R100 million Vendor Loan from Redefine at Prime plus 1% and R514.1 million Bank Loan from Nedbank Limited at Prime less 0.6%.
- The Acquisition Portfolio is recognised at fair value in terms of the Company accounting policies. The fair value reserve represents the difference between the fair value of R628.7 million and the purchase consideration of R614.1 million, net of deferred tax (at the CGT rate) amounting to R3.3 million.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Before the Acquisition	Adjustments	After the Acquisition
<b>Revenue</b>	132 644 204	126 151 689	258 795 893
<b>Total realised profit</b>	3 390 594	–	3 390 594
<b>Total profit from fair value adjustments</b>	61 101 770	(70 646 722)	(24 099 952)
Operating expenses (including employee benefits) <sup>3</sup>	(86 391 752)	(50 474 168)	(136 865 920)
Operating profit	110 744 816	5 030 799	115 775 615
Profit from equity accounted investments (net of tax)	20 825 120	–	20 825 120
Finance costs	(47 579 797)	(62 395 900)	(109 975 697)
<b>Profit before income tax</b>	83 990 139	(57 365 101)	26 625 038
Income tax <sup>4</sup>	(22 335 535)	(11 569 537)	(18 080 206)
<b>Profit for the year</b>	61 654 604	(68 934 638)	8 544 832
<b>Other comprehensive income:</b>	1 066 261	–	1 066 261
<b>Total comprehensive income for the year</b>	<b>62 720 865</b>	<b>(68 934 638)</b>	<b>9 611 093</b>
<b>Profit attributable to:</b>			
Equity holders of the parent	49 503 688	(66 848 522)	(1 519 968)
Non-controlling interest	12 150 916	(2 086 116)	10 064 800
<b>Profit for the year</b>	61 654 604	(68 934 638)	8 544 832
<b>Total comprehensive income attributable to:</b>			
Equity holders of the parent	50 569 949	(66 848 522)	(453 707)
Non-controlling interest	12 150 916	(2 086 116)	10 064 800
<b>Total comprehensive income for the year</b>	62 720 865	(68 934 638)	9 611 093
<b>RECONCILIATION OF HEADLINE EARNINGS</b>			
Profit attributable to equity holders of the parent	49 503 688	(51 023 656)	(1 519 968)
Headline earnings adjustments:			
Fair value adjustment on investment properties	(37 284 885)	113 886 757	76 601 872
Fair value adjustments within equity accounted profits	(8 522 136)	–	(8 522 136)
Realised profit on sale of property, plant and equipment	(46 447)	–	(46 447)
<b>Headline earnings</b>	<b>3 650 220</b>	48 308 101	51 958 321
<b>SUPPLEMENTARY INFORMATION</b>			
Gross number of shares in issue	219 486 600	–	219 486 600
Weighted average number of shares in issue	216 964 384	–	216 964 384
Diluted weighted average number of shares in issue	234 753 255	–	234 753 255
Basic earnings per share (cents)	22.8	(23.5)	(0.7)
Diluted earnings per share (cents)	21.1	(21.8)	(0.7)
Headline earnings per share (cents)	1.7	22.2	23.9
Diluted headline earnings per share (cents)	1.6	21.8	22.1
Net asset value per share (cents)	255	–	255
Intrinsic net asset value per share (cents)	368	–	368

### Notes and assumptions for the statement of comprehensive income:

- The *pro forma* Statement of Comprehensive Income figures illustrate the possible financial effects as if the Acquisition had taken place on 1 September 2015.
- Fair value adjustments include the difference (R14.6 million) between the fair value of the properties acquired of R628.7 million and the purchase consideration of R614.1 million.
- One-off transaction costs of R1 270 000 have been incurred in respect of the Acquisition. These are inclusive of VAT (as Trematon is not registered as a VAT vendor and is therefore not in a position to claim the related input tax credits) and have been assumed to be non-tax deductible. The costs have been charged to profit or loss.
- Current tax has been provided for on the net deductible expenses incurred on the transaction on the assumption that it occurred at the beginning of the year. Deferred tax liabilities are recognised for all taxable temporary differences and adjustments are recognised in profit and loss. Deferred tax is calculated at the tax rates that are expected to apply to the period when the liability is settled and includes the deferred tax (R3.3 million) on the fair value adjustment (R14.6 million) relating to the difference between the fair value of the properties acquired and the purchase consideration.



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**REPORTING ACCOUNTANTS' REPORT ON *PRO FORMA* FINANCIAL INFORMATION**

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The Directors  
Trematon Capital Investments Limited  
3rd Floor  
North Wharf  
42 Hans Strijdom Avenue  
Cape Town  
8001

12 December 2016

**Report on the Compilation of *Pro Forma* Financial Information of Trematon Capital Investments Limited**

The definitions commencing on page 5 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 the *pro forma* earnings and diluted earnings, headline and diluted headline earnings and net asset value per share of Trematon Capital Investments Limited, (Trematon), the *pro forma* statement of financial position of Trematon, the *pro forma* statement of comprehensive income of Trematon and the related notes, including a reconciliation showing all of the *pro forma* adjustments to the loans payable relating to Trematon, (collectively "*pro forma* financial information"). The *pro forma* financial information is set out in paragraph 5.2 and **Annexure 1** of the circular.

The *pro forma* financial information has been compiled by the directors of Trematon to illustrate the impact of the transaction on Trematon's financial position as at 31 August 2016 and Trematon financial performance for the year ended 31 August 2016.

As part of this process, Trematon's earnings, diluted earnings, headline earnings and diluted headline earnings per share, statement of comprehensive income and statement of financial position have been extracted by the directors from Trematon's audited consolidated financial statements for the year ended 31 August 2016 ("audited financial information"), in respect of which an unmodified audit opinion has been issued. In addition, the directors have calculated the net asset value per share as at 31 August 2016 based on financial information extracted from the audited financial information.

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

The directors of Trematon are responsible for compiling the *pro forma* financial information on the basis of the applicable criteria as detailed in paragraphs 8.15 to 8.33 of the Listings Requirements and the SAICA Guide on *pro forma* financial information, revised and issued in September 2014 ("Applicable Criteria").

**Reporting accountants' 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* (Part A and B).

The firm applies 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 accountants' responsibility**

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

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the *pro forma* financial information of Trematon on the basis of the Applicable Criteria.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on the audited financial information used in compiling the *pro forma* financial information of Trematon, 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 of Trematon.

The purpose of the *pro forma* financial information of Trematon included in the Circular is solely to illustrate the impact of the Transactions on the unadjusted audited financial information as if the Transactions had been undertaken on 31 August 2016 for purposes of the *pro forma* earnings, diluted earnings and the *pro forma* statement of comprehensive income and on 31 August 2016 for purposes of the *pro forma* net asset value per share and *pro forma* statement of financial position. Accordingly, we do not provide any assurance that the actual outcome of the Transactions, subsequent to its implementation, will be as presented in the *pro forma* financial information of Trematon.

A reasonable assurance engagement to report on whether the *pro forma* financial information of Trematon has been properly compiled, in all material respects, on the basis of the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used by the Directors in the compilation of the *pro forma* financial information of Trematon provide a reasonable basis for presenting the significant effects directly attributable to the transactions and to obtain sufficient appropriate evidence about whether:

- The related *pro forma* adjustments give appropriate effect to the Applicable Criteria; and
- The *pro forma* financial information of Trematon reflects the proper application of those *pro forma* adjustments to the unadjusted audited financial information.

The procedures selected depend on the reporting accountant's judgement, having regard to the reporting accountant's understanding of the nature of Trematon, the Transactions in respect of which the *pro forma* financial information of Trematon has been compiled and other relevant engagement circumstances.

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

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

## **Conclusion**

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

Yours faithfully

### **KPMG Inc.**

Per: **PJ Conradie**  
Chartered Accountant (SA)  
Registered Auditor  
Director

### **MSC House**

1 Mediterranean Street  
Foreshore  
Cape Town, 8001  
South Africa

## REPORT OF HISTORICAL FINANCIAL INFORMATION OF THE CARVED OUT FINANCIAL STATEMENTS ON THE ACQUISITION PORTFOLIO

### CARVED OUT FINANCIAL STATEMENTS

for the years ended 31 August 2016, 2015, 2014

Audited/Reviewed

#### Directors' responsibility statement

The directors are responsible for the preparation and presentation of the carved out financial statements, comprising the net asset statement at 31 August 2016, 2015 and 2014 and the statement of profit or loss and other comprehensive income for the years then ended, the related notes and accounting policies ("Financial Statements"), in accordance with the basis of accounting described in note 1.3 to the financial statements. The financial statements have been prepared for the purposes of providing financial information to satisfy the requirements of section 8 of the JSE Limited's Listings Requirements and for no other purpose. In addition, the directors are responsible for preparing the directors' commentary included in the financial statements. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The independent auditor is responsible for reporting on whether anything has come to their attention that causes them to believe that the financial statements are not prepared in accordance with the basis of accounting described in note 1.3 to the Financial Statements.

#### Approval of the Financial Statements

The financial statements, as identified in the first paragraph, were approved by the directors on 12 December 2016 and were signed by Arthur Winkler, being the authorised director.

<b>Net asset statement as at</b>		<b>Audited</b>	<b>Reviewed</b>	<b>Reviewed</b>
Figures in Rand	Note(s)	31 August 2016	31 August 2015	31 August 2014
<b>Assets</b>				
<b>Non-current assets</b>				
Investment property	3	628 655 000	693 300 000	698 538 000
<b>Total assets</b>		<b>628 655 000</b>	<b>693 300 000</b>	<b>698 538 000</b>
<b>Statement of profit or loss and other comprehensive income</b>				
Figures in Rand		<b>Audited</b>	<b>Reviewed</b>	<b>Reviewed</b>
		31 August 2016	31 August 2015	31 August 2014
Revenue		126 151 689	115 188 269	110 125 921
Operating expenses		(49 204 168)	(45 372 646)	(43 944 032)
<b>Operating profit</b>		<b>76 947 521</b>	<b>69 815 623</b>	<b>66 181 889</b>
Fair value adjustments 3, 5		(85 201 722)	(10 128 291)	25 066 545
<b>Profit for the year</b>		<b>(8 254 201)</b>	<b>59 687 332</b>	<b>91 248 434</b>
Other comprehensive income		–	–	–
<b>Profit and total comprehensive income for the year</b>		<b>(8 254 201)</b>	<b>59 687 332</b>	<b>91 248 434</b>

## Significant accounting policies

### 1.1 Reporting entity

The carved out financial statements (the “financial statements”) are obtained from Redefine Properties Limited, a property company (“the Company”) domiciled in the Republic of South Africa.

### 1.2 Nature of business

The Company directly owns a commercial property portfolio in South Africa.

The primary business of the Company is long-term investment in quality, rental-generating commercial, industrial and retail properties.

### 1.3 Basis of preparation

#### (a) Statement of compliance

#### **Basis of accounting for the audited net asset statement and the statement of profit or loss and other comprehensive income.**

The financial statements have been prepared in accordance with International Financial Reporting Standards, SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the JSE Listings Requirements, the requirements of the South African Companies Act, 71 of 2008, as amended and the Companies Regulations 2011, and incorporate the principal accounting policies and valuation principles set out below.

The financial statements are prepared at fair value.

Fair value adjustments do not affect the calculation of distributable earnings, however, they do affect the net asset value per share to the extent that the adjustments are made to the carrying value of the assets and liabilities.

These audited carved out financial statements are intended for the sole use of providing financial information to meet the requirements of section 8 of the JSE Limited’s Listings Requirements. The financial information relates to the specific properties to be acquired by Arbitrage Property Fund

Proprietary Limited trading as Aria Property Fund (“Aria”), a 67% held subsidiary of Trematon.

The following properties are to be acquired by Aria:

- 12 Nourse Avenue, Erf 99971, Epping, Cape Town
- Berg River park, the remaining extent of Erf 21279, Paarl
- Edgars Wynberg, remaining extent of erf 91503, Wynberg, Cape Town
- Erf 527, Glenashley
- Maynard Mall, Erven 67925, 67947, 67949, 67957, 67959, 67960, 67958, 92089, 67948 and 92087, Wynberg, Cape Town
- Standard Bank George, the remaining extents of Erven 1549 and 1552, George
- Pier Place, Erf 170, Roggebaai, Cape Town

Section 8 of the JSE Listings Requirements require that the financial information of the respective acquisitions be presented in respect of the subject of those acquisitions, namely, the properties. The financial statements include a net asset statement and statement of profit or loss and other comprehensive income which contains financial information relating to the buildings listed above only. These financial statements are therefore referred to as “carve out” financial statements.

The carved out financial statements have been prepared in accordance with the accounting policies set out below.

#### (b) Basis of measurement

The financial statements are prepared on the fair value basis for investment properties as set out in note 3.

#### (c) Functional and presentation currency

The financial statements are presented in South African Rand (“Rand”), which is the Company’s functional currency. All financial information presented in Rand has been rounded to the nearest Rand.

## 2.1 Investment property

Investment properties are freehold and are properties held for the purpose of earning rental income and for capital appreciation. Investment properties are initially recorded at cost and include transaction costs arising on acquisition. Subsequent expenditure to add to or replace a part of the property is capitalised at cost. The carrying amount of any replaced part is written off to profit or loss when replaced.

Tenant installations and lease commissions are carried at cost less accumulated amortisation. Amortisation is provided to write down the cost, less residual value, by equal instalments over the period of the lease.

Investment properties are valued annually and adjusted to fair value at the reporting date.

The portfolio is valued annually. For the purposes of the independent valuation at 31 August 2016, all properties above R20 million were valued. Independent valuations were obtained for a portion of the properties under R20 million.

Properties under R20 million are valued externally on a three-year rotational basis.

Any gain or loss arising from a change in fair value of the investment property is included in profit or loss for the period to which it relates. Changes in fair value are excluded from the calculation of distributable earnings.

Gains and losses on the disposal and acquisition of investment properties are recognised in profit or loss, and are calculated as the difference between the sale price and the carrying value of the property.

## 2.2 Revenue recognition

Property portfolio revenue comprises gross rental income and fixed operating cost recoveries from the letting of investment properties. Rental income is recognised in profit and loss on a straight-line basis over the term of the lease.

Recoveries of costs from lessees, where the entity merely acts as an agent and makes payment of these costs on behalf of lessees, are offset against the relevant costs.

Contingent rents (turnover rentals) are included in revenue when the amounts can be reliably measured. Premiums to terminate leases are recognised in profit and loss.

## 2.3 Leases

Properties leased to third parties under operating leases are included in investment property in the statement of financial position. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term. This does not affect distributable earnings.

## 2.4 Earnings

Earnings per share is calculated on the weighted average number of shares in issue, net of treasury shares, in respect of the year and is based on profit attributable to shareholders.

## 2.5 Key estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect amounts reported in the financial statements. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information on key estimates and assumptions which have the most significant effect on the financial statements are set out in the following notes in the financial statements:

## 2.6 Investment properties

The portfolio is valued annually. For the purposes of the independent valuation at 31 August 2016, all properties above R20 million were valued.

Independent valuations were also obtained for a portion of the properties under R20 million. Properties under R20 million are valued externally on a three-year rotational basis. By obtaining external valuations from accredited valuers for the majority of the portfolio, management is of the opinion that the risk relating to estimation uncertainty has been mitigated.

## Notes to the carved out financial statements

### 3. INVESTMENT PROPERTY

Figures in Rand	Audited 31 August 2016	Reviewed 31 August 2015	Reviewed 31 August 2014
<b>Net carrying value</b>			
<b>Nourse Avenue</b>			
Cost	15 877 407	15 877 407	15 877 407
Fair value surplus	18 631 101	16 635 880	14 735 196
Straight-lining of leases	(508 508)	(313 287.00)	(112 603)
<b>Balance at end of year</b>	<b>34 000 000</b>	<b>32 200 000</b>	<b>30 500 000</b>
<b>Berg River Park</b>			
Cost	112 300 943	103 596 309	99 806 464
Fair value surplus	(13 622 530)	(20 372 745)	(20 842 261)
Straight-lining of leases	(2 278 413)	(2 323 564)	(1 964 203)
<b>Balance at end of year</b>	<b>96 400 000</b>	<b>80 900 000</b>	<b>77 000 000</b>
<b>Edgars Wynberg</b>			
Cost	7 281 691	7 281 691	7 281 691
Fair value surplus	10 351 097	7 428 240	7 380 206
Straight-lining of leases	(132 788)	(9 931)	(123 897)
<b>Balance at end of year</b>	<b>17 500 000</b>	<b>14 700 000</b>	<b>14 538 000</b>
<b>Glenashley</b>			
Cost	16 641 081	16 471 114	16 447 375
Fair value surplus	16 102 517	14 192 451	10 239 929
Straight-lining of leases	(493 598)	(663 565)	(687 304)
<b>Balance at end of year</b>	<b>32 250 000</b>	<b>30 000 000</b>	<b>26 000 000</b>
<b>Maynard Mall</b>			
Cost	170 876 634	160 406 159	159 302 098
Fair value surplus	98 548 115	82 994 318	70 672 809
Straight-lining of leases	(9 424 749)	(7 400 477)	(6 974 907)
<b>Balance at end of year</b>	<b>260 000 000</b>	<b>236 000 000</b>	<b>223 000 000</b>
<b>Standard Bank George</b>			
Cost	6 148 961	6 148 961	6 153 201
Fair value surplus	9 402 494	9 515 664	8 941 606
Straight-lining of leases	(51 455)	(164 625)	(594 807)
<b>Balance at end of year</b>	<b>15 500 000</b>	<b>15 500 000</b>	<b>14 500 000</b>
<b>Pier Place</b>			
Cost	176 606 200	176 607 359	176 610 872
Fair value surplus	(1 044 069)	113 500 558	143 318 752
Straight-lining of leases	(2 807 131)	(6 107 917)	(6 929 624)
<b>Balance at end of year</b>	<b>172 755 000</b>	<b>284 000 000</b>	<b>313 000 000</b>
<b>Total</b>			
Cost	505 732 917	486 389 000	481 479 108
Fair value surplus	138 618 725	223 894 366	234 446 237
Straight-lining of leases	(15 696 642)	(16 983 366)	(17 387 345)
<b>Balance at end of year</b>	<b>628 655 000</b>	<b>693 300 000</b>	<b>698 538 000</b>

Figures in Rand	<b>Audited</b> 31 August 2016	<b>Reviewed</b> 31 August 2015	<b>Reviewed</b> 31 August 2014
<b>Movement for the year</b>			
<b>Nourse Avenue</b>			
At beginning of year	32 200 000	30 500 000	29 000 000
Additions at cost	(107 469)	(31 329)	(516 589)
Change in fair value	2 102 690	1 932 013	2 110 187
Straight-line rental income adjustment	(195 221)	(200 684)	(93 598)
<b>Balance at end of year</b>	<b>34 000 000</b>	<b>32 200 000</b>	<b>30 500 000</b>
<b>Berg River Park</b>			
At beginning of year	80 900 000	77 000 000	75 000 000
Additions at cost	8 659 483	3 789 845	792 097
Change in fair value	6 795 366	469 516	1 198 747
Straight-line rental income adjustment	45 151	(359 361)	9 156
<b>Balance at end of year</b>	<b>96 400 000</b>	<b>80 900 000</b>	<b>77 000 000</b>
<b>Edgars Wynberg</b>			
At beginning of year	14 700 000	14 538 000	13 854 000
Additions at cost	–	–	–
Change in fair value	2 922 857	–	–
Straight-line rental income adjustment	(122 857)	48 034	632 278
<b>Balance at end of year</b>	<b>17 500 000</b>	<b>14 700 000</b>	<b>14 538 000</b>
<b>Glenashley</b>			
At beginning of year	30 000 000	26 000 000	25 000 000
Additions at cost	203 517	35 467	161 315
Change in fair value	2 126 516	3 940 794	932 897
Straight-line rental income adjustment	169 967	23 739	(94 212)
<b>Balance at end of year</b>	<b>32 500 000</b>	<b>30 000 000</b>	<b>26 000 000</b>
<b>Maynard Mall</b>			
At beginning of year	236 000 000	223 000 000	215 000 000
Additions at cost	10 470 475	1 104 061	96 863
Change in fair value	15 553 797	12 321 509	9 072 526
Straight-line rental income adjustment	(2 024 272)	(425 570)	(1 169 389)
<b>Balance at end of year</b>	<b>260 000 000</b>	<b>236 000 000</b>	<b>223 000 000</b>
<b>Standard Bank George</b>			
At beginning of year	15 500 000	14 500 000	15 100 000
Additions at cost		(4 240)	(12 719)
Change in fair value	(113 170)	574 058	(832 168)
Straight-line rental income adjustment	113 170	430 182	244 887
<b>Balance at end of year</b>	<b>15 500 000</b>	<b>15 500 000</b>	<b>14 500 000</b>
<b>Pier Place</b>			
At beginning of year	284 000 000	313 000 000	300 000 000
Additions at cost	(1 159)	(3 513)	(3 513)
Change in fair value	(114 544 627)	(29 818 194)	14 477 251
Straight-line rental income adjustment	3 300 786	821 707	(1 473 738)



	<b>Audited</b>	<b>Reviewed</b>	<b>Reviewed</b>
Figures in Rand	31 August 2016	31 August 2015	31 August 2014
<b>Balance at end of year</b>	<b>172 755 000</b>	<b>284 000 000</b>	<b>313 000 000</b>
		<b>Total</b>	
At beginning of year	693 300 000	698 538 000	672 954 000
Additions at cost	19 224 847	4 890 291	517 454
Change in fair value	(85 201 722)	(10 532 270)	27 591 718
Straight-line rental income adjustment	1 286 724	403 979	(2 525 172)
<b>Balance at end of year</b>	<b>628 655 000</b>	<b>693 300 000</b>	<b>698 538 000</b>

### Details of properties

- 12 Nourse Avenue, Erf 99971, Epping, Cape Town
- Berg River Park, the remaining extent of Erf 21279, Paarl
- Edgars Wynberg, Remaining extent of Erf 91503, Wynberg, Cape Town
- Erf 527, Glenashley
- Maynard Mall, Erven 67925, 67947, 67949, 67957, 67959, 67960, 67958, 92089, 67948 and 92087, Wynberg, Cape Town
- Standard Bank George, the remaining extents of Erven 1549 and 1552, George
- Pier Place, Erf 170, Roggebaai, Cape Town

### Measurement of fair value

The valuation technique used in measuring the fair value of investment property, as well as the significant observable inputs used are set out below:

Valuation techniques:

All external valuations were completed using the discounted cash flow method of valuation. The valuation model generates a net present value for each property by discounting forecasted future cash flows and a residual value at the end of the cash flow projection period by the discount rate of each property. The residual value is calculated by capitalising the net income forecasted for the 12-month period immediately following the final year of the cash flow at the exit/reversionary capitalisation rate. The discount rate applied by each valuer is determined by adding a growth per property, based on forecasted market related rental increases. To the determined capitalisation rate per property. The discount rate is then tested for reasonableness by benchmarking the rate against recent comparable sales and surveys prepared by IPD/SAPOA. The capitalisation rate is dependent on a number of factors, such as location, the condition of the improvements, current market conditions, the lease covenants and the risk inherent in the property and is also tested for reasonableness by benchmarking against comparable recent comparable sales and surveys prepared by IPD/SAPOA

Significant unobservable inputs:

Expected market rental growth (4 – 9%)

Expected expense growth estimated (7 – 10%)

Vacant periods (0 – 12 months)

Occupancy rate (average 95 – 94%)

Rent-free periods (0 – 3 months)

Discount rates (9 – 18.5%)

Reversionary capitalisation rate (7.5 – 14%)

Capitalisation rate (7.5 – 14%)



Inter-relationship between key unobservable inputs and fair value measurements:

The estimated fair value would be increased/decreased if:

- expected market rental growth was higher/(lower);
- expected expense growth was lower/(higher);
- vacant periods were shorter/(longer);
- occupancy rates were higher/(lower);
- rent-free periods were shorter/(longer);
- discount rate was lower/(higher);
- reversionary capitalisation rate was lower/(higher); and
- capitalisation rate was lower/(higher).

### Details of valuation

Properties were valued by registered external valuers at 31 August 2016 using the discounted cash flow of future income streams method. At 31 August 2015 and 2014 the valuation was performed internally by the directors in combination with registered external valuers, where applicable, who are all registered in terms of section 19 of the Property Valuers Professional Act (No. 47 of 2000).

At the reporting date, the key assumptions used by the group in determining fair value were in the following ranges for the group's portfolio of properties:

	<b>Audited</b>	<b>Reviewed</b>	<b>Reviewed</b>
	31 August 2016	31 August 2015	31 August 2014
	%	%	%
<b>Retail sector</b>			
Discount rate	12.25 – 19.25	9.00 – 17.00	10.00 – 18.50
Exit capitalisation rate	7.00 – 12.50	7.50 – 14.00	7.50 – 13.00
<b>Office sector</b>			
Discount rate	12.50 – 18.00	8.00 – 17.50	10.50 – 18.00
Exit capitalisation rate	7.75 – 13.00	8.00 – 13.00	8.00 – 12.50
<b>Industrial sector</b>			
Discount rate	13.00 – 18.50	9.50 – 18.50	10.50 – 16.50
Exit capitalisation rate	8.00 – 14.00	7.75 – 12.50	9.00 – 12.50

#### 4. STRAIGHT-LINE RENTAL INCOME ACCRUAL

	Audited 31 August 2016	Reviewed 31 August 2015	Reviewed 31 August 2014
<b>Nourse Avenue</b>			
Balance at beginning of year	(313 287)	(112 603)	(19 005)
Arising during the year	(195 221)	(200 684)	(93 598)
<b>Balance at end of year</b>	<b>(508 508)</b>	<b>(313 287)</b>	<b>(112 603)</b>
<b>Berg River Park</b>			
Balance at beginning of year	(2 323 564)	(1 964 203)	(1 973 359)
Arising during the year	45 151	(359 361)	9 156
<b>Balance at end of year</b>	<b>(2 278 413)</b>	<b>(2 323 564)</b>	<b>(1 964 203)</b>
<b>Edgars Wynberg</b>			
Balance at beginning of year	(9 931)	(123 897)	(175 619)
Arising during the year	(122 857)	113 966	51 722
<b>Balance at end of year</b>	<b>(132 788)</b>	<b>(9 931)</b>	<b>(123 897)</b>
<b>Glenashley</b>			
Balance at beginning of year	(663 565)	(687 304)	(781 516)
Arising during the year	169 967	23 739	(94 212)
<b>Balance at end of year</b>	<b>(493 598)</b>	<b>(663 565)</b>	<b>(687 304)</b>
<b>Maynard Mall</b>			
Balance at beginning of year	(7 400 477)	(6 974 907)	(5 805 517)
Arising during the year	(2 024 272)	(425 570)	(1 169 390)
<b>Balance at end of year</b>	<b>(9 424 749)</b>	<b>(7 400 477)</b>	<b>(6 974 907)</b>
<b>Standard Bank George</b>			
Balance at beginning of year	(164 625)	(594 807)	(839 694)
Arising during the year	113 170	430 182	244 887
<b>Balance at end of year</b>	<b>(51 455)</b>	<b>(164 625)</b>	<b>(594 807)</b>
<b>Pier Place</b>			
Balance at beginning of year	(6 107 917)	(6 929 624)	(5 455 886)
Arising during the year	3 300 786	821 707	(1 473 738)
<b>Balance at end of year</b>	<b>(2 807 131)</b>	<b>(6 107 917)</b>	<b>(6 929 624)</b>
<b>Total</b>			
Balance at beginning of year	(16 983 366)	(17 387 345)	(15 050 596)
Arising during the year	1 286 724	403 979	(2 525 172)
<b>Balance at end of year</b>	<b>(15 696 642)</b>	<b>(16 983 366)</b>	<b>(17 575 768)</b>

## 5. EARNINGS

	Audited 31 August 2016	Reviewed 31 August 2015	Reviewed 31 August 2014
<b>Nourse Avenue</b>			
Revenue	9 439 781	8 962 849	8 233 464
Operating expenses	(6 379 102)	(5 945 728)	(5 395 349)
<b>Operating profit</b>	<b>3 060 679</b>	<b>3 017 121</b>	<b>2 838 115</b>
Fair value adjustments	2 102 690	1 731 329	2 016 589
<b>Earnings</b>	<b>5 163 369</b>	<b>4 748 450</b>	<b>4 854 703</b>
<b>Berg River Park</b>			
Revenue	22 687 469	18 098 770	16 925 007
Operating expenses	(12 826 382)	(10 880 209)	(9 437 783)
<b>Operating profit</b>	<b>9 861 087</b>	<b>7 218 561</b>	<b>7 487 224</b>
Fair value adjustments	6 750 215	110 155	1 207 903
<b>Earnings</b>	<b>16 611 302</b>	<b>7 328 716</b>	<b>8 695 127</b>
<b>Edgars Wynberg</b>			
Revenue	1 513 798	1 542 357	1 434 802
Operating expenses	(308 679)	(295 798)	(219 544)
<b>Operating profit</b>	<b>1 205 119</b>	<b>1 246 559</b>	<b>1 215 258</b>
Fair value adjustments	2 922 857	162 000	684 000
<b>Earnings</b>	<b>4 127 976</b>	<b>1 408 559</b>	<b>1 899 258</b>
<b>Glenashley</b>			
Revenue	4 921 766	4 426 678	3 927 050
Operating expenses	(1 855 487)	(1 344 459)	(1 551 474)
<b>Operating profit</b>	<b>3 066 279</b>	<b>3 082 219</b>	<b>2 375 577</b>
Fair value adjustments	(2 126 516)	3 964 533	838 685
<b>Earnings</b>	<b>3 066 279</b>	<b>7 046 752</b>	<b>3 214 262</b>
<b>Maynard Mall</b>			
Revenue	37 429 129	38 698 278	37 444 464
Operating expenses	(16 599 875)	(16 613 808)	(15 919 139)
<b>Operating profit</b>	<b>20 829 254</b>	<b>22 084 470</b>	<b>21 525 325</b>
Fair value adjustments	15 553 797	11 895 939	7 903 137
<b>Earnings</b>	<b>36 383 051</b>	<b>33 980 409</b>	<b>29 428 462</b>
<b>Standard Bank George</b>			
Revenue	2 280 575	2 108 784	1 919 723
Operating expenses	(9 707)	(81 426)	(81 750)
<b>Operating profit</b>	<b>2 270 868</b>	<b>2 027 358</b>	<b>1 837 973</b>
Fair value adjustments	(113 170)	1 004 240	(587 281)
<b>Earnings</b>	<b>2 157 698</b>	<b>3 031 598</b>	<b>1 250 692</b>
<b>Pier Place</b>			
Revenue	47 879 171	41 350 553	40 241 411
Operating expenses	(11 224 936)	(10 211 218)	(11 338 993)
<b>Operating profit</b>	<b>36 654 235</b>	<b>31 139 335</b>	<b>28 902 417</b>
Fair value adjustments	(114 544 627)	(28 996 487)	13 003 513
<b>Earnings</b>	<b>(77 890 392)</b>	<b>2 142 848</b>	<b>41 905 930</b>
<b>Total</b>			
Revenue	126 151 689	115 188 269	110 125 921
Operating expenses	(49 204 168)	(45 372 646)	(43 944 032)
<b>Operating profit</b>	<b>76 947 521</b>	<b>69 815 623</b>	<b>66 181 889</b>
Fair value adjustments	(85 201 722)	(10 128 291)	25 066 545
<b>Earnings</b>	<b>( 8 254 201)</b>	<b>59 687 332</b>	<b>91 248 434</b>

## 6. MINIMUM LEASE PAYMENTS

	<b>Audited</b> 31 August 2016	<b>Reviewed</b> 31 August 2015	<b>Reviewed</b> 31 August 2014
Minimum lease payments comprise contractual rental income, excluding the straight-line lease adjustments, and operating expense recoveries due in terms of signed lease agreements on investment properties.			
<b>Nourse Avenue</b>			
Receivable within one year	4 002 389	3 443 308	3 206 642
Receivable within two to five years	14 088 675	8 462 547	9 927 737
Receivable beyond five years		165 867	2 143 985
	<b>18 091 064</b>	<b>12 071 722</b>	<b>15 278 364</b>
<b>Berg River Park</b>			
Receivable within one year	12 720 878	8 263 328	8 459 080
Receivable within two to five years	23 175 031	25 050 861	28 167 681
Receivable beyond five years		346 638	10 802 629
	<b>35 895 909</b>	<b>33 660 827</b>	<b>47 429 390</b>
<b>Edgars Wynberg</b>			
Receivable within one year	1 441 123	1 307 141	1 244 897
Receivable within two to five years	4 909 876	5 915 640	1 416 504
Receivable beyond five years		1 807 858	
	<b>6 350 999</b>	<b>9 030 639</b>	<b>2 661 400</b>
<b>Glenashley</b>			
Receivable within one year	3 210 592	3 647 149	3 216 578
Receivable within two to five years	1 511 324	6 437 820	8 662 454
Receivable beyond five years			
	<b>4 721 916</b>	<b>10 084 969</b>	<b>11 879 032</b>
<b>Maynard Mall</b>			
Receivable within one year	30 733 620	27 569 176	25 963 593
Receivable within two to five years	74 713 325	87 504 661	73 390 146
Receivable beyond five years	29 635 763	53 459 913	34 752 037
	<b>135 082 708</b>	<b>168 533 750</b>	<b>134 105 776</b>
<b>Standard Bank George</b>			
Receivable within one year	2 101 936	2 038 241	1 852 946
Receivable within two to five years	7 392 368	8 491 821	2 738 886
Receivable beyond five years		3 104 419	
	<b>9 494 304</b>	<b>13 634 481</b>	<b>4 591 832</b>
<b>Pier Place</b>			
Receivable within one year	20 404 425	30 988 496	28 693 052
Receivable within two to five years		53 872 001	84 860 497
Receivable beyond five years	–	–	–
	<b>20 404 425</b>	<b>84 860 497</b>	<b>113 553 549</b>
<b>Total</b>			
Receivable within one year	74 614 963	77 256 840	72 636 787
Receivable within two to five years	125 790 599	195 735 350	209 163 904
Receivable beyond five years	29 635 763	58 884 695	47 698 652
	<b>200 405 562</b>	<b>331 876 885</b>	<b>329 499 343</b>

## Commentary

### 2016

- The average escalation index for the portfolio of properties was 7.27% for the period
- The average vacancy rates for Glenashly Views was 5.3%, Berg River Park was 5.5% and Maynard Mall was 11.4% for the period
- Major capital expenditure spend on Berg River Park and Maynard Mall
- New leases five-year lease was signed for Nourse Avenue
- The majority of the fair value adjustment relates to Pier Place, which has been valued on a vacant property basis

### 2015

- Major capital expenditure spend on Berg River Park and Maynard Mall
- New long leases have been signed for Maynard Mall, Standard Bank George, Edgars Wynberg
- The average escalation index for the portfolio of properties was 7.41% for the period
- Only Glenashly Views had vacancies during the period at an average vacancy rate of 12%
- The average vacancy rates for Glenashly Views was 12.3%, Berg River Park was 0.8% and Maynard Mall was 0.3% for the period

### 2014

- The average vacancy rates for Glenashly Views was 6.1%, Berg River Park was 4.4% and Maynard Mall was 3.7% for the period
- The average escalation index for the portfolio of properties was 7.36% for the period

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**REPORTING ACCOUNTANTS' REPORT ON THE AUDITED HISTORICAL FINANCIAL INFORMATION OF THE CARVED OUT FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2016 AND THE REVIEWED HISTORICAL FINANCIAL INFORMATION OF THE CARVED OUT FINANCIAL STATEMENTS FOR THE TWO YEARS ENDED 31 AUGUST 2015 AND 31 AUGUST 2014 OF THE ACQUISITION PORTFOLIO**

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The Directors  
Trematon Capital Investments Limited  
3rd Floor  
North Wharf  
42 Hans Strijdom Avenue  
Cape Town  
8001

12 December 2016

Dear Sirs

**Independent Reporting Accountants' Report on the Report of Historical Financial Information of The Carved Out Financial Statements for the years ended 31 August 2016, 31 August 2015 and 31 August 2014.****Introduction**

The definitions commencing on page 5 of the Circular to which this letter is attached apply, *mutatis mutandis*, to this report.

At your request, and for the purposes of the Circular, we have audited the historical financial information of The Carved Out Financial Statements for the year ended 31 August 2016 and reviewed the historical financial information for the years ended 31 August 2015 and 2014, which comprises the statements of financial position, the statements of comprehensive income, statements of changes in equity and cash flows for the years then ended, a summary of significant accounting policies and other explanatory notes (collectively "the Report of Historical Financial Information"), as presented in Annexure 3 to the Circular, in compliance with the Listings Requirements and the accounting policy of The Carved Out Financial Statements. The Report of Historical Financial Information has been prepared for purposes of providing financial information to satisfy the requirements of Section 8 of the Listings Requirements and for no other purpose.

KPMG Inc. is the independent reporting accountant to Trematon in respect of the Circular.

**Responsibility of the directors**

The directors are responsible for the compilation, contents and preparation of the Circular including the Report of Historical Financial Information of The Carved Out Financial Statements in accordance with the Listings Requirements.

The directors are responsible for the fair presentation of the Report of Historical Financial Information of The Carved Out Financial Statements for the years ended 31 August 2016, 31 August 2015 and 31 August 2014 in accordance with accounting policies as set out in note 1 of The Carved Out Financial Statements and the Listings Requirements, and for such internal control as the directors determine is necessary to enable the preparation of the Report of Historical Financial Information of The Carved Out Financial Statements that is free from material misstatement, whether due to fraud or error.

**Responsibility of the Independent Reporting Accountant**

Our responsibility is to express an audit opinion on the Report of Historical Financial Information of The Carved Out Financial Statements for the year ended 31 August 2016 based on our audit in accordance with International Standards on Auditing and review conclusions on the Report of Historical Financial Information of The Carved Out Financial Statements for the years ended 31 August 2015 and 2014 based on our reviews in accordance with International Standard on Review Engagements ISRE 2400 (Revised).

## **Report of Historical Financial Information of The Carved Out Financial Statements for the year ended 31 August 2016**

We have audited the Report of Historical Financial Information of The Carved Out Financial Statements for the year ended 31 August 2016, as presented in Annexure 3 to the Circular, prepared in accordance with The Carved Out Financial Statements accounting policies and the Listings Requirements.

*Responsibility of the Independent Reporting Accountant in respect of the Report of Historical Financial Information of The Carved Out Financial Statements for the year ended 31 August 2016*

Our responsibility is to express an opinion on the Report of Historical Financial Information of The Carved Out Financial Statements for the year ended 31 August 2016. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Report of Historical Financial Information of The Carved Out Financial Statements for the year ended 31 August 2016 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Report of Historical Financial Information of The Carved Out Financial Statements for the year ended 31 August 2016. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Report of Historical Financial Information of The Carved Out Financial Statements for the year ended 31 August 2016, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Report of Historical Financial Information of The Carved Out Financial Statements for the year ended 31 August 2016 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Report of Historical Financial Information of The Carved Out Financial Statements for the year ended 31 August 2016.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. The audit evidence included that which we previously obtained during the conduct of our audit of the financial statements of The Carved Out Financial Statements from which the Report of Historical Financial Information of The Carved Out Financial Statements for the year ended 31 August 2016 has been derived.

*Opinion on the Report of Historical Financial Information of The Carved Out Financial Statements for the year ended 31 August 2016*

In our opinion, the Report of Historical Financial Information of The Carved Out Financial Statements for the year ended 31 August 2016, as presented in Annexure 3 to the Circular, presents fairly, in all material respects, the financial position of The Carved Out Financial Statements at 31 August 2016 and its financial performance and its cash flows for the years then ended in accordance with the accounting policy of The Carved Out Financial Statements and the Listings Requirements.

## **Report of Historical Financial Information of The Carved Out Financial Statements for the years ended 31 August 2015 and 31 August 2014**

We have reviewed the Report of Historical Financial Information of The Carved Out Financial Statements for the years ended 31 August 2015 and 31 August 2014, as presented in Annexure 3 to the Circular, prepared in accordance with the accounting policy of The Carved Out Financial Statements and the Listings Requirements.

*Responsibility of the Independent Reporting Accountants in respect of the Report of Historical Financial Information of The Carved Out Financial Statements for the years ended 31 August 2015 and 2014*

Our responsibility is to express a review conclusion on the Report of Historical Financial Information of The Carved Out Financial Statements for the years ended 31 August 2015 and 31 August 2014, based on our reviews for the years then ended, in accordance with International Standard on Review Engagements ISRE 2400 (Revised), which applies to a review of historical financial information. ISRE 2400 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the Report of Historical Financial Information of The Carved Out Financial Statements for the years ended 31 August 2015 and 31 August 2014, taken as a whole, is not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of the Report of Historical Financial Information of The Carved Out Financial Statements for the years ended 31 August 2015 and 31 August 2014 in accordance with ISRE 2400 (Revised) is a limited assurance engagement in terms of which we perform procedures, primarily consisting of making enquiries

of management and other within the entity, as appropriate, and applying analytical procedures and evaluating the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly we do not express an audit opinion on the Report of Historical Financial Information of The Carved Out Financial Statements for the years ended 31 August 2015 and 31 August 2014.

*Basis for Qualified Conclusion on the Report of Historical Financial Information of The Carved Out Financial Statements for the year ended 31 August 2014*

IAS 1 Presentation of Financial Statements, requires a company to present comparative information in respect of the preceding period for all amounts reported in the current period's financial statements. Paragraph 8.4 of the JSE Listings Requirements states that notwithstanding the requirements of IAS 1 Presentation of Financial Statements, if reviewed financial information is being prepared for the purposes of paragraph 8.4, no comparative results need to be shown, if that financial information has been prepared using accounting policies that are identical to those contained in the historical financial information of the JSE Listings Requirements. The Carved Out Financial Statements has not presented comparative information for the year ended 31 August 2014 as required by International Financial Reporting Standards but complies with the JSE Listings Requirements.

*Qualified Conclusion on the Report of Historical Financial Information of The Carved Out Financial Statements for the period ended 31 August 2014*

Based on our review, except for the omission of the comparative information described in the preceding paragraph, nothing has come to our attention that causes us to believe that the Report of Historical Financial Information of The Carved Out Financial Statements, as presented in Annexure 3 to the Circular, does not present fairly, in all material respects, the financial position of The Carved Out Financial Statements at 31 August 2014, and its financial performance and cash flows for the year then ended in accordance with accounting policies of The Carved Out Financial Statements and the Listings Requirements.

*Unqualified Conclusion on the Report of Historical Financial Information for the year ended 31 August 2015*

Based on our review, nothing has come to our attention that causes us to believe that the Report of Historical Financial Information of The Carved Out Financial Statements, as presented in Annexure 3 to the Circular, does not present fairly, in all material respects, the financial position of The Carved Out Financial Statements at 31 August 2015, and its financial performance and cash flows for the year then ended in accordance with accounting policies of The Carved Out Financial Statements and the Listings Requirements.

Yours faithfully  
KPMG Inc.

Per: **PJ Conradie**  
Chartered Accountant (SA)  
Registered Auditor  
Director

**MSC House**  
1 Mediterranean Street  
Foreshore  
Cape Town  
8001



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## ABRIDGED VALUATION REPORT BY OLD MUTUAL INVESTMENT GROUP ON MAYNARD MALL

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The Directors  
Trematon Capital Investments Limited  
Aria North Wharf  
42 Hans Strijdom Avenue  
Cape Town, 8001

12 December 2016

Sirs/Madams,

### VALUATION – MAYNARD MALL, WYNBERG, WESTERN CAPE

Made on account of Trematon Capital Investments Limited ("Trematon"), in relation to the property known as Maynard Mall ("the Property").

#### 1. INTRODUCTION

I, Trevor King, a duly authorised Professional Valuer, registered without restriction in terms of section 19 of the Property Valuers Professional Act, 2000 (Act No. 47 of 2000), of Old Mutual Investment Group – Property Valuation hereby certify that to the best of my knowledge, I have valued the Property as at 31 August 2016 (as per the table below) in order to determine its value on a discounted cash flow basis.

**Value of property valued as at 31/08/2016 = R260 000 000.00**

I herewith confirm that the information set out below comply with all particulars of section 13.23 of the JSE Listings Requirements.

#### 2. DESCRIPTION OF PROPERTY

Set out below are particulars relating to the Property, as detailed in the category 1 circular to be dated on or about 15 December 2016, to which this report is attached.

Date of Physical inspection: 16 August 2016

Effective date of valuation: 31 August 2016

Stand description: The site comprises multiple erven (10 erven) with a combined area of 17 798m<sup>2</sup>. Maynard Mall consists of three levels of retail shops, ground and two upper levels. It also has a two level parking garage which provides 600 bays and a loading bay area.

Title deed description: "REMAINING EXTENT ("RE") OF ERF 67925, IN EXTENT 364 (THREE HUNDRED AND SIXTY FOUR) SQUARE METRES."

"RE OF ERF 67947, IN EXTENT 1 615 (ONE THOUSAND SIX HUNDRED AND FIFTEEN) SQUARE METRES."

"ERF 67948 IN EXTENT 384 (THREE HUNDRED AND EIGHTY FOUR) SQUARE METRES"

"RE OF ERF 67949, IN EXTENT 354 (THREE HUNDRED AND FIFTY FOUR) SQUARE METRES."

"RE OF ERF 67957, IN EXTENT 11 (ELEVEN) SQUARE METRES."

"REMAINING EXTENT OF ERF 67959, IN EXTENT 244 (TWO HUNDRED AND FORTY FOUR) SQUARE METRES."

"RE EXTENT OF ERF 67960, IN EXTENT 419 (FOUR HUNDRED AND NINETEEN) SQUARE METRES."

"RE OF ERF 67958, IN EXTENT 340 (THREE HUNDRED AND FORTY) SQUARE METRES."

“ERF 92087, IN EXTENT 1 3083 (ONE THREE ZERO EIGHT THREE) HECTARES”  
“RE EXTENT OF ERF 92089, IN EXTENT 984 (NINE HUNDRED AND EIGHTY FOUR) SQUARE METRES.”

ALL AT WYNBERG, IN THE CITY OF CAPE TOWN, CAPE DIVISION, PROVINCE OF THE WESTERN CAPE

The Property is situated at the corner of Main and Wetton Roads, Wynberg, Cape Town. The centre is situated on the Main Road which runs from the CBD to Simonstown and is the main arterial road through the area. The M3 and M5 highways are in close proximity and access to and from the centre in all directions is convenient.

Location:

Property type:

Site Area m<sup>2</sup>:

Floor areas m<sup>2</sup> (GLA):

Existing use:

Retail

17 798m<sup>2</sup>

22 242m<sup>2</sup>

Retail

Maynard Mall currently accommodates approximately 62 tenants ranging from supermarkets and national retailers to regional and independent line shops. This number includes ATM outlets, storage and other ancillary areas.

Lease profile:

The anchor tenants are Shoprite, Edgars, Department of Public Works, and Virgin Active and account for approximately 45% of the GLA. Anchor and national tenants account for 86% of the occupancy of the centre presenting a low risk profile.

The top tenants are Shoprite, Edgars, Virgin Active, Clicks, Department of Home Affairs, Foschini and Truworths.

Town planning restrictions and conditions: General Business 5

Approximate age of building: +/- 40 years

Tenure:

Freehold

The property is currently developed to its full potential meeting its highest and best use in terms of the existing municipal zoning provisions.

### 3. **METHODOLOGY**

We were instructed to determine the market value of the Property. We define Market Value as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

We have utilised the traditional and internationally recognised Discounted Cash flow (DCF) method to reach our opinion of value as outlined in the detailed valuation. The DCF basis is a generally accepted valuation method for assessing the market value of investment properties and conforms with the 2008 IPD/SA Valuation Guide. Based on a five-year holding period, the DCF method derives a five-year cash flow incorporating the lease obligations including escalations to termination.

At lease expiry, a new lease is assumed and the commencing rent is assumed to be the current gross market rental escalated at an appropriate growth rate. The present value of the five-year cash flow is added to the present value of the hypothetical exit value, being the sixth year's hypothetical net annual income capitalised into perpetuity at an appropriate market related rate.

The discount and exit capitalisation rates are determined by reference to comparable sales, appropriate surveys prepared by IPD/SAPOA, benchmarking against other comparable valuations, and after consultation with experienced and informed people in the property industry including other valuers, brokers, managers and investors.

## 4. ASSUMPTIONS

### 4.1 Market rentals

In order to ascertain market rentals for the individual units of the subject property, we have taken a number of factors into account as outlined below:

- A number of tenancies were renewed since early 2016 and there were also certain new tenancies during the latter part of 2015 and the early part of 2016. This provides an excellent indicator of market rentals for shops of a similar size, category and location within the centre.
- Rentals in the subject property were also benchmarked against rentals being paid in similar shopping centres by tenants similar in size, product offering and trading densities.
- Centre dynamics and the location of the unit within the centre.
- Turnover densities achievable in different locations of the centre by tenants of the same category.
- The actual turnover history of each turnover generating tenancy was scrutinised and market rentals were determined on a tenant by tenant basis.

### 4.2 Vacancies

The subject property has only two shops totalling 446m<sup>2</sup> and a few small storerooms currently vacant. The two vacant shops were previously occupied by Woolworths who have now vacated the centre. We have forecast that these two vacant units will be leased by 1 February 2017 and 1 March 2017. The level of current vacancy provides a good indicator of current demand for premises as well as the fact that the mall is dominant in the area. Accordingly we have factored a marginal terminal vacancy of 1.50% into the valuation to be more reflective of the long-term nature of the investment. An average void downtime period of three months together with an average retention factor of approximately 61.6% has been allowed for in the cash flow upon expiry of the leases.

### 4.3 Capitalisation and discount rates

We have adopted and assumed the following principle remunerative rates in our DCF model to calculate the market value of this property:

DCF holding period: five years

Discount rate: 14.50%

Capitalisation rate at 31 August 2016: 8.50%

Exit capitalisation rate at 31 August 2021: 9.00%

The discount and exit capitalisation rates are determined by reference to comparable sales, appropriate surveys prepared by IPD/SAPOA, benchmarking against other comparable valuations and after consultation with experienced and informed people in the property industry including other valuers, brokers and investors.

The discount and capitalisation rates are dependent on a number of factors, such as location, the condition of the improvements, current market conditions, the lease covenant and the risk inherent in the property. Considering that Maynard Mall is dominant in the area, the condition and location of the property as well as demand for this type of property as well as the low risk of the income according to the lease expiry profile, we have assumed that a capitalisation rate of 8.50% is appropriate and market related. In order to allow for initial age and obsolescence we have aged the capitalisation rate by 0.50% to equal 9.00% at reversion on 31 August 2021. To the initial capitalisation rate we have added the rental growth rate of 6.00% to arrive at a discount rate of 14.50%.

### 4.4 Expenses

We were provided with the Property budget to 31 August 2017. In accordance with the 2008 IPD (SA) Valuation Guidelines, we have excluded certain expenditure items such as refurbishment costs, sinking funds, depreciation, bad debt provisions, write-offs, outsourced technical fees and asset management fees and have included market related letting costs and management fees. We have assumed that expenses will escalate at 7.50% per annum from 1 September 2017. We have made no allowance for Capital Expenditure in the first cash flow year.

## 5. SOURCES OF INFORMATION

Information relating to the Property has been obtained and, where applicable, verified, from:

- Trematon;
- Denise Page, Grant Eybers, Lorraine Snyman , and Andile Magiba of Redefine Properties Limited, the Vendor;
- our physical inspection of the Property, which confirmed the nature of improvements and the tenancies, reflected in the lease schedules;
- a sample lease audit being undertaken by ourselves;
- Deeds Office; and
- Surveyor General's Office and Local Authorities for verification of the Title Deeds, Erf diagrams, Municipal Valuations and Town Planning conditions; and
- SAPOA/IPD Index with regard to comparable market rentals, operating expense profiles, annualised rental and expense growth plus the Discount and Capitalisation Rate surveys.

We have inspected a summary of the Title Deed and have noted the following:

Erven 67947, 67948, 67949, 67957, 67958, 67959, 67950 is notarially tied to Erf 67925 and may not be sold, alienated or transferred from each other without the written consent of the municipality. The Notarial Tie Servitude may also not be cancelled without the municipality's consent. The usual servitudes exist for the installing of electrical and municipal services over or under the erven. As the property has been fully developed, these services have been accommodated on the site. General rights of way and access servitudes exist on the erven and Erf 67958 is subject to a servitude in perpetuity for parking purposes and general access for use by the general public.

These servitudes do not have an adverse effect on the value of the property.

### Leases

We have not had sight of all of the lease agreements but have established that all tenants are on standard lease terms as set out in the attached tenancy schedule and in addition to a gross rental a *pro rata* share of the increase in property rates and actual utility expenses are recovered. A Tenancy Schedule setting out the relevant contractual details and rentals of the prevailing Lease Agreements is attached to the full valuation.

## 6. OPTIONS OR BENEFIT/DETRIMENT OF CONTRACTUAL ARRANGEMENTS

No valuation has been required detailing the benefit or detriment of contractual arrangements in respect of the Property or where there may be a benefit in options held. There are no intra-group leases.

I confirm that to the best of my knowledge and belief there:

1. are currently no options held by any third parties to purchase the Property; and
2. have been no material changes between the date of the valuation and the Last Practical Date in any circumstances relating to the Property, which would affect the valuation thereof.

## 7. INTRA-GROUP OR RELATED PARTY LEASES

There are no intra-group or related party leases in respect of the Property.

## 8. VALUATION QUALIFICATIONS

Qualifications are usually detailed as a consequence of leases under negotiation that have not yet been formalised; leases of a large nature where the premises are difficult to relet; specialised properties; large exposure to a single tenant; potential tenant failure due to over-rent; expenses required for major repairs; maintenance or other contingent expenses to maintain the lettable of the building; potential expropriations or servitudes that may be enforced; poor lease records whereby the lease may be disputed or rendered invalid.

I have, to the best of my knowledge, considered all of these aspects in the valuation of the Property. The Property is not prejudiced in value by the influence of the above factors.

The valuer is, however, not responsible for the competent daily management of the Property that will ensure that this status is maintained, or for the change of any laws, services by local authority or economic circumstances that may adversely impact on the integrity of the buildings or the tenant profile.

**9. RENTALS USED IN VALUATIONS**

The current rental has been calculated from the current contractual leases, as well as the estimated future rental and these details are reflected in the full valuation report. We have assumed an annual market rental growth of 6.00% taking into account that although contractual escalation rates are being concluded at between 6.00% to 9.00%, market rentals grow independently.

**10. OTHER GENERAL MATTERS AND VALUATION SUMMARY**

A full valuation report is available detailing tenancy, town planning, valuer's commentary, expenditure and other details.

I confirm that I have no pecuniary interest that would conflict with a proper valuation of the Property, other than normal professional fees. With 30 years' experience in property valuation, the undersigned is qualified to express an opinion on the value of the Property.

Yours faithfully

**Trevor King** – *Property Valuation Manager*  
BSC DipSurv MRICS Valuer (SA)  
Registration number **4718/6**

**Old Mutual Investment Group – Property Valuations**

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## ABRIDGED VALUATION REPORT BY ERIS PROPERTY GROUP ON 12 NOURSE AVENUE AND BERG RIVER PARK

The Directors  
Trematon Capital Investments Limited  
Aria North Wharf  
42 Hans Strijdom Avenue  
Cape Town, 8001

12 December 2016

Sirs/Madams,

### VALUATIONS – 12 NOURSE AVENUE, EPPING AND BERG RIVER INDUSTRIAL PARK, PAARL

Made on account of Trematon Capital Investments Limited ("Trematon"), in relation to the properties known as 12 Nourse Avenue, Epping, Western Cape and Berg River Industrial Park, Paarl, Western Cape ("the Properties").

#### 1. INTRODUCTION

I, Claire Everatt, a duly authorised Professional Valuer, registered without restriction in terms of section 19 of the Property Valuers Professional Act, 2000 (Act No. 47 of 2000), of Eris Property Group Proprietary Limited do hereby certify that to the best of my knowledge, I have valued the Properties as at 31 August 2016 (as per the table below) in order to determine their value on a discounted cash flow basis.

Value of Properties valued as at 31/08/2016 = R130 400 000.00

I herewith confirm that the information set out below comply with all particulars of section 13.23 of the JSE Listings Requirements.

#### 2. DESCRIPTION OF PROPERTIES

Set out below are particulars relating to the Properties, as detailed in the category 1 circular to be dated on or about 15 December 2016, to which this report is attached and the values that I have attributed to them:

Stand description	Property name	Address	Date of physical inspection	Effective date of valuation	Market valuation
Erf 99971 Cape Town	12 Nourse Avenue	12 Nourse Avenue, Epping 2, Cape Town	11 August 2016	31 August 2016	R34 000 000
RE Erf 21279 Paarl	Berg River Industrial Park	Berg River Industrial Park, Paarl	10 August 2016	31 August 2016	R96 400 000

  

Property type	Site area	Floor areas m <sup>2</sup>	Existing use (GLA)	Tenants	Town planning restrictions and conditions	Approximate age of building	Tenure
Industrial	1.7277 hectares	10 581	Industrial	Fully let to Rarewoods and First Garment	General Industrial 2	40 – 50 years	Freehold
Industrial	7.0506 hectares	35 664	Industrial	Fully let to several tenants Top tenants Betafence, Nulandis, Tri-Trade	Industrial purposes	10 – 15 years	Freehold

The properties have been developed to their best use.

Subsection 13.23(ix) of the JSE Listings Requirements provides that the summary of the valuation report to be included in the circular must include a "high level summary of the actual tenant's leases or sub-leases". We have had sight of certain lease documentation and high level summaries of these are included in our detailed reports. In preparing our cash flows we have had regard to the tenancy schedules provided and also to our assessment of current market rentals and escalation rates for the various elements of accommodation.

The properties have been constructed within the accepted building industry norms, have sufficient on-site parking facilities and are well tenanted. The leases tend to be of a general contractual rental nature with provision for the recovery of services consumed by the lessees. Escalations are market related and the properties are generally well located with an acceptable demand for the accommodation if it had to become vacant.

### 3. **METHODOLOGY**

We were instructed to determine the market value of the Properties. We define market value as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

Our approach to determining market value has been to carry out a discounted cash flow exercise which involves projecting income and expenditure for a five-year period, and discounting at a long-term investment rate to arrive at a net present value. Secured lease income is reflected and on expiry a view is taken as to the likelihood of renewal or a vacancy occurring, and in the latter case there will be an interruption in the cash flow for a period to secure a new tenant. Allowance is made for full leasing commissions or renewal commissions where appropriate. To this figure, an applicable final discounted reversionary value is added.

### 4. **ASSUMPTIONS**

#### 4.1 **Market rentals**

The Properties were fully let at the effective date of valuation.

Our assumptions on market rentals are reflective of the micro-economy surrounding these Properties.

Rentals used in our discounted cash flow valuations are based on the terms and conditions contracted in the leases. On expiry of same, we have assumed that they will revert to market related rentals. The market related rentals have been determined by comparing similar buildings in comparable areas to the properties valued. Due consideration to the extent of the lettable areas, their location within the buildings and profile of tenant has been applied in the determination of the reversionary market rentals.

The market rentals have also been compared with the fundamentals listed in various published indices including the South African Property Owners Association (SAPOA/IPD) index and the Rode Report.

#### 4.2 **Capitalisation rates**

The capitalisation rate applied in these valuations has been derived from the analysis of comparable sales where available and discussions with property practitioners and analysts and benchmark capitalisation and discount rates provided by property publications. We have referenced published documentation from the SAPOA/IPD database (Capitalisation and Discount Rate Surveys) and The Rode Report.

We have applied a capitalisation rate of 9.25% to the subject Properties. We have assumed 5% growth in market rentals per annum and have utilised a 14.25% discount rate.

#### 4.3 **Expenses**

In each of the valuations, we have allocated provisions for expenses such as property management fees and leasing commissions where appropriate. The expenses include security costs and rates and net utility costs taking into account municipal recoveries.



## 5. **SOURCES OF INFORMATION**

Information relating to the Properties has been obtained and, where applicable, verified, from:

- Trematon;
- our physical inspection of the Properties, which confirmed the nature of improvements and the tenancies, reflected in the lease schedules;
- a sample lease audit being undertaken by ourselves;
- Deeds Office; and
- Surveyor General's Office and Local Authorities for verification of the Title Deeds, Erf diagrams, Municipal Valuations and Town Planning conditions;
- Redefine Properties Limited, the vendor of the Properties;
- SAPOA/IPD Index with regards to comparable market rentals, operating expense profiles, annualised rental and expense growth plus the Discount and Capitalisation Rate surveys;
- Rode Report to confirm those fundamentals referred to in the point above; and
- town planning restrictions/conditions and any material contravention of statutory requirements.

Full town planning details and title deeds are reflected in the detailed valuation reports including conditions and restrictions and the Properties have been checked against such conditions. There do not appear to be any infringements of statutory requirements, including title deed conditions by any of the properties.

The valuations have further assumed that the improvements have been erected in accordance with the relevant Building and Town Planning Regulations and on inspection it would appear that the improvements are in accordance with the relevant town planning regulations.

## 6. **OPTIONS OR BENEFIT/DETRIMENT OF CONTRACTUAL ARRANGEMENTS**

No valuation has been required detailing the benefit or detriment of contractual arrangements in respect of the Properties or where there may be a benefit in options held. There are no intra-group leases.

I confirm that to the best of my knowledge and belief there:

1. are currently no options held by any third parties to purchase any of the Properties; and
2. have been no material changes between the date of the valuations and the Last Practical Date in any circumstances relating to the Properties, which would affect the valuation thereof.

## 7. **INTRA-GROUP OR RELATED PARTY LEASES**

There are no intra-group or related party leases in respect of the Properties.

## 8. **VALUATION QUALIFICATIONS**

Qualifications are usually detailed as a consequence of, *inter alia*, leases of a large nature where the premises are difficult to re-let; specialised properties; large exposure to a single tenant; potential tenant failure due to over-rent; expenses required for major repairs; maintenance or other contingent expenses to maintain the lettable of the building; and potential expropriations or servitudes that may be enforced.

I have, to the best of my knowledge, considered all of these aspects in the valuation of the Properties. There are no Properties that are prejudiced in value by the influence of the above factors.

The valuer is, however, not responsible for the competent daily management of these Properties that will ensure that this status is maintained, or for the change of any laws, services by local authority or economic circumstances that may adversely impact on the integrity of the buildings or the tenant profile.

## 9. **EXTERNAL PROPERTY**

None of the Properties are situated outside the Republic of South Africa.



## 10. RENTALS USED IN VALUATIONS

The current rental has been calculated from the current contractual leases, as well as the estimated future rental and these details and the tenancy schedules are attached to the full valuation reports. We have assumed 5% growth in market rentals per annum.

## 11. OTHER GENERAL MATTERS AND VALUATION SUMMARY

Full valuation reports are available on a property-by-property basis detailing tenancy, town planning, valuer's commentary, expenditure and other details.

I confirm that I have no pecuniary interest that would conflict with a proper valuation of the Properties, other than normal professional fees. With 25 years' experience in property valuation, the undersigned is qualified to express an opinion on the value of the Properties.

Yours faithfully

**Claire Everatt** – *Head of Valuations* 13.23(b)

MRICS MIVSA

Registration number **4251/8**

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**ABRIDGED VALUATION REPORTS BY MILLS FITCHETT ON PIER PLACE, EDGARS WYNBERG, STANDARD BANK GEORGE AND GLENASHLEY VIEWS**

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The Directors  
Trematon Capital Investments Limited  
Aria North Wharf  
42 Hans Strijdom Avenue  
Cape Town, 8001

12 December 2016

Sirs/Madams,

**VALUATIONS – STANDARD BANK GEORGE, EDGARS WYNBERG, GLENASHLEY VIEWS AND PIER PLACE**

Made on account of Trematon Capital Investments Limited (“Trematon”), in relation to the properties known as Standard Bank George, Edgars Wynberg, and Pier Place Cape Town, Western Cape and Glenashley Views, KwaZulu-Natal (“the Properties”).

**1. INTRODUCTION**

I, MRB Gibbons, a duly authorised Professional Valuer, registered without restriction in terms of section 19 of the Property Valuers Professional Act, 2000 (Act No. 47 of 2000), of Mills Fitchett Magnus Penny Wolffs trading as Magnus Penny Associates CC (“the valuer”) do hereby certify that to the best of my knowledge, I have valued the Properties as at 31 August 2016 and 1 October 2016 (as per the table below).

The valuation of the properties has been carried out by the valuer who has carefully considered all aspects of all the properties. These properties each have a detailed valuation report which has been given to the management of Trematon. The detailed reports include commentary on the current economy, nature of the properties, locality, tenancy, risk profile, forward rent and earning capability and exposure to future expenses and property risk. All these aspects have been considered in the individual valuation reports of the properties. The detailed reports have further addressed the tenancy income capability and expenditure for each property and tenant. Historic expenditure profile as well as future expenditure increases have been considered. The value thus indicates the fair market value for each property which is detailed in the detailed report and which has been summarised on a summary schedule, in paragraph 2 below, for each property. There are four properties and the important aspects of the detailed valuation report including the property market value are summarised below.

Value of Properties valued as at 31 August 2016 and 1 October 2016 = R238 255 000.

I herewith confirm that the information set out below comply with all particulars of section 13.23 of the JSE Listings Requirements.

## 2. DESCRIPTION OF PROPERTIES

Set out below are particulars relating to the Properties, as detailed in the category 1 circular to be dated on or about 14 December 2016, to which this report is attached and the values that I have attributed to them:

Stand description	Property name	Address	Date of physical inspection 13.23(a)(iii)	Effective date of valuation	Market valuation
Erf 1549 and Erf 1552 George	Standard Bank George	99 Hibernia Street George, Western Cape	12 August 2016	31 August 2016	R15 500 000
Erf 91503 Wynberg, Cape Town	Edgars Wynberg	59 Main Road Wynberg	6 July 2016	31 August 2016	R17 500 000
Erf 527 Glenashley, Durban, KwaZulu-Natal	Glenashley Views	36 Newport Avenue, Glenashley, KwaZulu-Natal	15 August 2016	31 August 2016	R32 500 000
Erf 170, Roggebaai, Cape Town	Pier Place	Heerengracht Boulevard, Cape Town	9 November 2016	1 October 2016	R172 755 000

Property type	Site area	Floor areas m <sup>2</sup> (GLA)	Existing use	Tenants	Town planning restrictions and conditions	Approximate age of building	Tenure
Business Standard Bank	1 385m <sup>2</sup>	1 199m <sup>2</sup>	Business	Single tenant			
Retail Jet Mart	Business zone	+/- 100 years	Freehold				
Mixed use	2 263m <sup>2</sup>	2 606m <sup>2</sup>	Retail	Single tenant			
	General business 5	+/- 35 years	Freehold				
	3 716m <sup>2</sup>	2 805m <sup>2</sup>	Mixed use	Engen Petrol, Lookout Bar and Grill, Porters and Various tenants Vacancy – 5.25% of GLA	Special Shopping	+/-61 years	Freehold
	2 924m <sup>2</sup>	14 746m <sup>2</sup>	Business	Vacant	General business 7	+/- 20 years	Freehold

## 3. BRIEF DESCRIPTION OF LOCATION, IMPROVEMENTS AND CONDITION

### 3.1 Standard Bank George

This property comprises an irregular shaped slightly sloping site improved with a part single and part double storey commercial building used as a bank. There is both carport and open parking in a side yard. The accommodation comprises a banking hall at ground floor and offices, toilets, kitchen and strong room at first floor. The property is fully let to Standard Bank Limited. The property comprises a dated but well-designed banking facility of a good quality, size and is well located.

### 3.2 Edgars Wynberg

This property comprises a rectangular shaped slightly sloping site, from west to east and is improved with a single storey retail building. The accommodation comprises a large shop with staff facilities and a storeroom to the rear with roller shutter door access for receiving goods. The property is fully let to Jet Stores. The complex appears in fair to good condition.

### 3.3 Glenashley Views

This property comprises a petrol filling station plus a mainly double, part triple storey commercial building. Internally the accommodation provides for parking on the semi-basement and ground floor (at the rear) with the balance of the ground floor being retail and entrance foyers. The upper floors provide for offices and restaurants. The property appears to be in good condition, but the age of the improvements has not been determined.

### 3.4 Pier Place

The property comprises a high rise A-Grade commercial building providing for a small ground floor retail offering and offices plus parking on the upper floors. Internally the accommodation comprises ground plus fourteen floors. The layout includes a reception and retail areas on the ground floors, two levels of parking and 12 levels of corporate office accommodation. This property is prominently located fronting onto Pier Place, a public open square, on the Foreshore of Cape Town CBD. The office block is well designed and offers attractive office accommodation. The building is regarded as a significant tower-block in the Cape Town CBD and is thus a landmark. The property is in a very good condition being neat and very well maintained.

This is an exceptional redevelopment opportunity, with ample on-site parking. The Foreshore area of Cape Town is currently enjoying a renewed interest from both investors and developers alike, positioning the subject property extremely well.

## 4. METHODOLOGY

The valuation has been prepared in accordance with the requirements of the International Valuation Standards (IVS).

The IVS definition of market value is the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

In respect of Standard Bank George, Edgars Wynberg and Glenashly Views we have adopted the discounted cash flow approach to arrive at our opinion of market value. The approach requires the valuer to apply a market related capitalisation rate and discount rate to the projected net income generated by the property. Our approach to determining value has been to project cash flows for a period of 10 years, on the basis of the existing building, taking into account contractual and market rentals, normalised expenses and to discount to net present value. To this is added the present value of the reversionary interest to arrive at a capital value.

In respect of Pier Place, which is acquired with vacant occupation, we adopted the comparable sales approach as we are instructed to value the property on a bulk basis. On this basis the most appropriate method of calculating value is the comparable bulk sales, which is the manner which an astute developer would utilise in calculating a realistic purchase price in order to redevelop the sites (as well as incorporating part of the superstructure). We commented on and listed sales of similarly zoned properties in and around the Cape Town CBD. We extracted the pertinent fundamentals to be applied to the subject properties, and commented on market fundamentals of completed projects *vis a vis* residential, commercial and parking bay sectional title sales as well as property expense rates (per square metre).

## 5. ASSUMPTIONS

### 5.1 General assumptions

This valuation report has been compiled on the basis of the following general assumptions:

- Although the title deeds and conveyancer certificates have been reviewed and no onerous conditions have been identified no responsibility is assumed for the legal description or for matters including legal or title considerations. Title to the property is assumed to be good and marketable, unless otherwise stated.

- The valuation has further assumed that the improvements have been erected in accordance with the relevant Building and Town Planning Regulations and on inspection it would appear that the improvements are in accordance with the relevant town planning regulations for these properties.
- The property is valued free and clear of any aliens or encumbrances, unless otherwise stated.
- Responsible ownership and competent property management are assumed.
- The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.
- All engineering information is assumed to be correct. Any plans and illustrative material in this report are included only to assist the reader in visualising the property.
- It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
- It is assumed that there is full compliance with all applicable state and local environmental regulations and laws unless non-compliance is stated, defined and considered in the valuation report. It is assumed that the site is free of any noxious waste that could affect value.
- It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless non-conformity has been stated, defined and considered in the valuation report.
- It is assumed that all required licences, certificates of occupancy, consents, or other legislative or administrative authority from local or national government or private entity or organisation have been or can be obtained or renewed for any use on which the value estimate contained in this report is based. It is assumed that the utilisation of the land and improvements is within the boundaries or property lines of the property description and that there is no encroachment or trespass unless noted in the report.

## 5.2 Market rentals

In respect of Standard Bank George, Edgars Wynberg and Glenashly Views our assumptions on market rentals are reflective of the micro-economy surrounding these Properties.

Rentals used in our discounted cash flow valuations are based on the terms and conditions contracted in the leases. The market related rentals have been determined by comparing similar buildings in comparable areas to the properties valued. Due consideration to the extent of the lettable areas, their location within the buildings and profile of tenant has been applied in the determination of the reversionary market rentals. We have deducted between 0.83% and 2.5% of the net income as provisions for rental that may not be collected as a consequence of vacancy, tenant failure or tenant refitting during the course of the coming year.

Generally the rentals are market related. This has been determined by comparing similar buildings in comparable areas to the properties valued, in terms of rental per square metre. The rental rate has also been checked against various published indices including the *South African Property Owners Association (SAPOA) index*, where this was available.

## 5.3 Capitalisation rates

The capitalisation rates applied in the valuations of Standard Bank George, Edgars Wynberg and Glenashly Views has been derived from the analysis of comparable sales where available and discussions with property practitioners and analysts and benchmark capitalisation and discount rates provided by property publications. We have referenced published documentation from the SAPOA/IPD database (Capitalisation and Discount Rate Surveys) where available and/or applicable.

The details of the capitalisation rate assumptions in respect of each of the Properties are set out in our valuation reports. We have applied capitalisation rates of between 9.75% and 10% to the subject Properties. We have assumed 6% growth in market rentals and 7% growth in expenses per annum and have utilised discount rates of between 15% and 16%.

## 6. SOURCES OF INFORMATION

Information relating to the Properties has been obtained and, where applicable, verified, from:

- Trematon;
- our physical inspection of the Properties, which confirmed the nature of improvements and the tenancies, reflected in the lease schedules;
- Deeds Office; and
- Surveyor General's Office and Local Authorities for verification of the Title Deeds, Erf diagrams, Municipal Valuations and Town Planning conditions;
- Redefine Properties Limited, the vendor of the Properties;
- SAPOA/IPD Index with regards to comparable market rentals, operating expense profiles, annualised rental and expense growth plus the Discount and Capitalisation Rate surveys; and
- town planning restrictions/conditions and any material contravention of statutory requirements.

### Leases

Sub-section 13.23(ix) of the JSE Listings Requirements provides that the summary of the valuation report to be included in the circular must include a "high level summary of the actual tenant's leases or sub-leases". We have had sight of certain lease documentation and high level summaries of these are included in our detailed reports. In preparing our cash flows we have had regard to the tenancy schedules provided and also to our assessment of current market rentals and escalation rates for the various elements of accommodation.

## 7. OPTIONS OR BENEFIT/DETRIMENT OF CONTRACTUAL ARRANGEMENTS

No valuation has been required detailing the benefit or detriment of contractual arrangements in respect of the Properties or where there may be a benefit in options held. There are no intra-group leases.

I confirm that to the best of my knowledge and belief there:

1. are currently no options held by any third parties to purchase any of the Properties; and
2. have been no material changes between the date of the valuations and the Last Practical Date in any circumstances relating to the Properties, which would affect the valuation thereof.

## 8. INTRA-GROUP OR RELATED PARTY LEASES

There are no intra-group or related party leases in respect of the Properties.

## 9. VALUATION QUALIFICATIONS

Qualifications are usually detailed as a consequence of, *inter alia*, leases of a large nature where the premises are difficult to relet; specialised properties; large exposure to a single tenant; potential tenant failure due to over-rent; expenses required for major repairs; maintenance or other contingent expenses to maintain the lettable of the building; and potential expropriations or servitudes that may be enforced.

I have, to the best of my knowledge, considered all of these aspects in the valuation of the Properties. There are no Properties that are prejudiced in value by the influence of the above factors.

The valuer is, however, not responsible for the competent daily management of these Properties that will ensure that this status is maintained, or for the change of any laws, services by local authority or economic circumstances that may adversely impact on the integrity of the buildings or the tenant profile.

## 10. CURRENT STATE OF DEVELOPMENT

There are no properties which are currently being developed.

## 11. EXTERNAL PROPERTIES

None of the Properties are situated outside the Republic of South Africa.

## 12. RENTALS USED IN VALUATIONS

The current rental has been calculated from the current contractual leases, as well as the estimated future rental and these details and the tenancy schedules are attached to the full valuation reports. We have assumed 6% growth in market rentals per annum

## 13. OTHER GENERAL MATTERS AND VALUATION SUMMARY

Full valuation reports are available on a property-by-property basis detailing tenancy, town planning, valuer's commentary, expenditure and other details.

I confirm that I have no pecuniary interest that would conflict with a proper valuation of the Properties, other than normal professional fees. With more than 25 years' experience in property valuation, the undersigned is qualified to express an opinion on the value of the Properties.

Yours faithfully

**MRB Gibbons** – *Professional Valuer*  
Nat. Dip. Prop. Val. MIV(SA) MRICS  
Registration number **4172**

**Mills Fitchett**  
Suite SG110  
Ground Floor  
Great Westerford  
240 Main Road  
Rondebosch  
Cape Town, 7725

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**INFORMATION ON THE ACQUISITION PORTFOLIO**


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<b>Building</b>	<b>Property description</b>	<b>Title deed number</b>	<b>Allocated purchase consideration</b>	<b>Sector</b>	<b>GLA m<sup>2</sup></b>	<b>Average rental /m<sup>2</sup></b>
Pier Place	Erf 170 Roggebaai City of Cape Town	T13106/2011	R170 000 000	Office	14 746	Vacant
Berg River Park	The Remaining Extent ("RE") of Erf 21279 Paarl	T53659/2010	R100 000 000	Industrial	35 664	33.67
12 Nourse Avenue	Erf 99971 Cape Town at Epping	T55386/2010	R34 000 000	Industrial	10 581	34.34
Edgars Wynberg	The RE of Erf 91503 Cape Town at Wynberg	T53598/2010	R16 500 000	Retail	2 606	55.39
Standard Bank George	The RE of Erf 1549 and RE of Erf 1552 George	T55240/2010	R15 100 000	Retail	1 199	148.10
Glenashley Views	Erf 527 Glenashley T28444/2010	R27 000 000	Mixed use	2 805	138.35	
Maynard Mall	The RE of Erven 67925, 67947, 67949, 67957, 67959, 67960, 67958, and 92089 and Erf 67948 and Erf 92087 Cape Town at Wynberg	T58415/2010	R251 500 000	Retail	23 178	124.39
<b>Total</b>			<b>R614 100 000</b>			



## INFORMATION RELATING TO DIRECTORS

### 1. DIRECTORS OF TREMATON

The name, business address and function of each of the directors of the Company and its major subsidiaries as at the Last Practicable Date are set out below:

Name	Business address
Monty Kaplan Independent Non-executive Chairman (Age: 86)	3rd Floor, Aria North Wharf, 42 Hans Strijdom Avenue, Cape Town, 8001
Arnold Jack Shapiro Chief Executive Officer (Age: 54)	3rd Floor, Aria North Wharf, 42 Hans Strijdom Avenue, Cape Town, 8001
Arthur Leon Winkler Chief Financial Officer (Age: 39)	3rd Floor, Aria North Wharf, 42 Hans Strijdom Avenue, Cape Town, 8001
Allan Groll Executive Director (Age: 61)	3rd Floor, Aria North Wharf, 42 Hans Strijdom Avenue, Cape Town, 8001
Jonathan Phillip Fisher Independent Non-executive Director (Age: 43)	117 Hatfield Street, Gardens, Cape Town, 8002
Adriaan Murray Louw Independent Non-executive Director (Age: 70)	Prescient House, Westlake Business Park, Otto Close, Westlake, 7945
Rudi Stumpf Non-executive Director (Age: 45)	Atholl Square, Cnr Katherine Street and Wierda Road, East Sandown, 2196

No directors have resigned from the Board in the last 18 months.

### 2. DIRECTORS' INTERESTS IN TREMATON

There will be no changes to the direct and indirect beneficial interests of the directors (and their associates) in the Shares of the Company as a result of the Acquisition.

### 3. DIRECTORS' INTERESTS IN THE TRANSACTIONS

Save to the extent that he may be a Trematon Shareholder, no director has any material beneficial interests, directly or indirectly in the Acquisition or in any other transactions which were effected by the Company during the current or immediately preceding financial year, or during an earlier financial year and remain in any respect outstanding or unperformed. No directors have resigned from the Board in the last 18 months.

### 4. DIRECTORS' SERVICE CONTRACTS, REMUNERATION AND TERM OF OFFICE

There are no formal employment or service contracts with the directors and their appointment, term of office and remuneration are governed by the memorandum of incorporation of the Company, the Act and the Listings Requirements.

There will be no variance of the remuneration of the directors in consequence of the Acquisition.



## TREMATON CAPITAL INVESTMENTS LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1997/008691/06)

JSE share code: TMT

ISIN: ZAE000013991

("Trematon" or "the Company")

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### NOTICE OF GENERAL MEETING

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Notice is hereby given that a General Meeting of Trematon Shareholders will be held at Trematon's registered office, Third Floor, Aria North Wharf, 42 Hans Strijdom Avenue, Cape Town, 8001 on Friday, 20 January 2017, commencing at 10:00 for the purpose of considering and, if deemed fit, passing with or without modification, the ordinary resolutions set out hereinbelow.

#### Notes:

The definitions and interpretations commencing on page 5 of the Circular to which this Notice of General Meeting is attached, apply, *mutatis mutandis*, to this Notice of General Meeting and the resolutions set out below.

For an ordinary resolution to be approved by Shareholders, it must be supported by more than 50% of the voting rights exercised on the resolution.

**The date on which Shareholders must have been recorded as such in the Register for purposes of being entitled to receive this Notice of General Meeting is Friday, 9 December 2016.**

**The date on which Shareholders must be recorded in the Register for purposes of being entitled to attend and vote at the General Meeting, is Friday, 13 January 2017.**

**The last day to trade in order to be entitled to attend and vote at the General Meeting, is Tuesday, 10 January 2017.**

#### ORDINARY RESOLUTION NUMBER 1

**"Resolved**, in terms of the JSE Listings Requirements, that the Acquisition by the Company of the Acquisition Portfolio from the Vendor, for the Purchase Consideration and on the terms set out in the Acquisition Agreements, the salient terms of which appear in the Circular and copies of which have been made available for inspection by Shareholders, be and is hereby approved."

#### Reason and effect

The reason for Ordinary Resolution Number 1 is that the Acquisition constitutes a category 1 transaction, requiring Shareholder approval by way of an ordinary resolution, in terms of the JSE Listings Requirements. The effect of Ordinary Resolution Number 1 is to grant the requisite approval for the Acquisition in terms of the JSE Listings Requirements.

#### ORDINARY RESOLUTION NUMBER 2

**"Resolved**, that any director of Trematon be and is hereby authorised to do all such things and sign all such documents as may be necessary to implement the above ordinary resolutions."

#### VOTING AND PROXIES

Shareholders who hold their Shares in Certificated form or who are Dematerialised Own-name Shareholders who are unable to attend the General Meeting but who wish to be represented thereat, are required to complete and return the attached form of proxy so as to be received by the Company's Transfer Secretaries by no later than 10:00 on Wednesday, 18 January 2017.

## **DEMATERIALIZED SHAREHOLDERS**

Shareholders who have Dematerialised their Shares through a CSDP or Broker, other than by Own-name Registration, who wish to attend the General Meeting, should instruct their CSDP or Broker to issue them with the necessary letter of representation to attend the General Meeting, in terms of the custody agreement entered into between such Shareholders and their CSDP or Broker. Shareholders who have Dematerialised their shares through a CSDP or Broker, other than Dematerialised Own-name Shareholders, who wish to vote by way of proxy, should provide their CSDP or Broker with voting instructions, in terms of the custody agreement entered into between such Shareholders and their CSDP or Broker. These instructions must be provided to their CSDP or Broker by the cut-off time or date advised by their CSDP or Broker for instructions of this nature. Shareholders, who have any doubt as to the action they should take, should consult their Broker, accountant, attorney, banker or other professional adviser immediately.

### **Hand deliveries to:**

Link Market Services South Africa  
Proprietary Limited  
13th Floor Rennie House  
19 Ameshoff Street  
Braamfontein, 2001  
Gauteng

### **Postal deliveries to:**

Link Market Services South Africa  
Proprietary Limited  
PO Box 4844  
Johannesburg, 2000  
By order of the Board

By order of the Board

### **Arthur L Winkler**

*Financial Director*

15 December 2016

### **Registered office**

Third Floor  
Aria North Wharf  
42 Hans Strijdom Avenue  
Cape Town, 8001  
(PO Box 7677, Roggebaai, 8012)





## TREMATON CAPITAL INVESTMENTS LIMITED

(Incorporated in the Republic of South Africa)

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JSE share code: TMT

ISIN: ZAE000013991

("Trematon" or "the Company")

### FORM OF PROXY

For use by Certificated Shareholders and Dematerialised Own-name Shareholders, at the General Meeting of Trematon Shareholders to be held at the registered office of the company, Third Floor, Aria North Wharf, 42 Hans Strijdom Avenue, Cape Town, 8001 on Friday, 20 January 2017, commencing at 10:00.

I/We (please print names in full)

of (Address)

Telephone number: (    )

Cellphone number:

Email address

being the holder of  shares in Trematon, do 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 at the General Meeting for the purpose of considering and, if deemed fit, passing, with or without modification, the ordinary resolutions to be proposed thereat and at each adjournment thereof and to vote for and/or against such resolutions in respect of the Shares registered in my/our name/s in accordance with the following instructions.

	Number of votes (one vote per ordinary share)		
	In favour of	Against	Abstain
<b>Ordinary resolution 1</b>			
Approval of the Acquisition of the Properties from the Vendor			
<b>Ordinary resolution 2</b>			
General authority of directors			

(Indicate instructions to proxy by way of a cross in space provided above)

Unless indicated above, my proxy may vote as he/she thinks fit.

Signed this

day of

2017

Signed

Each Shareholder is entitled to appoint one or more proxies (who need not be Shareholders of the Company) to attend, speak and vote on behalf of that Shareholder.

**Please read the notes on the reverse.**

**Notes:**

1. This form of proxy must be used by Certificated Shareholders or Dematerialised Own-name Shareholders.
2. Dematerialised Shareholders are reminded that the onus is on them to communicate their voting instructions with their Central Securities Depository Participant or Broker.
3. A Shareholder may insert the name of a proxy or the names of two alternative proxies (who need not be Shareholders of the company) of the Shareholder's choice in the space/s provided, with or without deleting "the chairman of the General Meeting". The person whose name appears first on this form of proxy and which has not been deleted will be entitled to act as proxy in priority to those whose names follow.
4. A Shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of Shares to be voted on behalf of that Shareholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy to vote at the General Meeting as he/she deems fit in respect of the Shareholder's votes exercisable thereat, but where the proxy is the chairman, failure to so comply will be deemed to authorise the proxy to vote in favour of the ordinary resolution. A Shareholder or his/her proxy is not obliged to use all the votes exercisable by the Shareholder or by his/her proxy.
5. Forms of proxy must be lodged at or be posted to Link Market Services South Africa Proprietary Limited, 13th Floor Rennie House, 19 Ameshoff Street, Braamfontein, 2001, Gauteng (PO Box 4844, Johannesburg, 2000) to be received by no later than 10:00 on Wednesday, 18 January 2017.
6. The completion and lodging of this form of proxy will not preclude the Shareholder from attending the General Meeting and speaking and voting in person thereat to the exclusion of any form of proxy appointed in terms hereof, should such Shareholder wish to do so.
7. The chairman of the General Meeting may reject or accept any form of proxy not completed and/or received, other than in accordance with these notes, provided that, in respect of the acceptance, the chairman is satisfied as to the manner in which the Shareholder concerned wishes to vote.
8. An instrument of proxy shall be valid for any adjournment of the General Meeting as well as for the meeting to which it relates, unless the contrary is stated thereon.
9. The authority (or a certified copy of the authority) of a person signing this form of proxy:
  - (a) under a power of attorney; or
  - (b) on behalf of a company,must be attached to this form of proxy unless the Company has already recorded the power of attorney.
10. Where Shares are held jointly, at least one of the joint Shareholders must sign this form of proxy.
11. A minor must be assisted by his/her guardian, unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Company.