



NWK HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
Registration Number: 1998/007243/06
4AX Share Code: 4ANWKH
ISIN: ZAE400000028
(“NWK Holdings”)



NWK LIMITED
(Incorporated in the Republic of South Africa)
Registration Number: 1998/007577/06
4AX Share Code: 4ANWK
ISIN: ZAE400000010
(“NWK”)

JOINT ANNOUNCEMENT:

PROPOSED SALE BY GRINDROD TRADING HOLDINGS PROPRIETARY LIMITED OF ITS ENTIRE BENEFICIAL HOLDING IN THE ISSUED ORDINARY SHARE CAPITAL OF NWK TO NWK HOLDINGS AND DEFERRAL OF THE NWK HOLDINGS AND NWK ODD-LOT OFFERS

1. INTRODUCTION

- 1.1. Shareholders of NWK Holdings and NWK (collectively referred to hereinafter as the **“Shareholders”** or, as the context requires, **“NWK Holdings Shareholders”** and/or **“NWK Shareholders”**) are hereby advised that NWK Holdings, NWK and Grindrod Trading Holdings Proprietary Limited (**“Grindrod”**) have entered into a sale of shares agreement dated, 29 August 2019 (**“Grindrod Sale of Shares Agreement”**), in terms of which it was agreed that Grindrod will dispose of its entire beneficial holding in the issued ordinary share capital of NWK to NWK Holdings (or its duly authorised nominee) (**“the Sale”**).
- 1.2. NWK was established during 1909 pursuant to the successful merging of various smaller agricultural co-operatives. During 1998 NWK was converted to a public company, at which time the current NWK Holdings control structure was incorporated within the NWK group of companies (**“NWK Group”**), in terms of which structure, NWK Holdings holds a controlling stake in NWK. NWK’s main business is that of an operational agricultural business that has been operating in the grain and food value chain of southern Africa, mainly in the North West, for more than a century.
- 1.3. As at the date of this announcement, Grindrod beneficially owns and holds, in aggregate, 29 153 264 (twenty-nine million one hundred fifty-three thousand two hundred and sixty-four) ordinary shares in the issued ordinary share capital of NWK, constituting 20.38% (twenty comma three-eight percent) (**“Grindrod Sale Shares”**) of NWK’s total number of ordinary shares in issue.
- 1.4. Shareholders should note that the Grindrod Sale of Shares Agreement and the implementation of the Sale are subject to the fulfilment of numerous conditions precedent (**“Sale Conditions Precedent”**), further detail of which appears in paragraph 3.2 below.

2. RATIONALE

The rationale for the Sale is encapsulated by the intent and commitment of NWK Holdings to move closer to its founding objectives, one of which is to strengthen the contingent of *bone fide* commercial agricultural producer shareholders within NWK Holdings.

3. THE SALE

3.1. Principal terms of the Sale

In terms of the Grindrod Sale of Shares Agreement, the Sale will be undertaken upon the following principal terms:

- 3.1.1. subject to the fulfilment of the Sale Conditions Precedent, Grindrod will dispose of the Grindrod Sale Shares to NWK Holdings (or its duly authorised nominee);
- 3.1.2. the price per NWK ordinary share at which NWK Holdings (or its duly authorised nominee) will acquire the Sale Shares amounts to R7.00 (seven Rand) ("**Sale Share Price**"), translating into a total purchase consideration of R204 072 848 (two hundred and four million seventy-two thousand eight hundred and forty-eight Rand) payable to Grindrod ("**Purchase Consideration**") by NWK Holdings. In regard to the basis upon which the Sale Share Price and Purchase Consideration were determined, Shareholders should note that same was negotiated in good faith between NWK Holdings and Grindrod, taking into consideration factors such as NWK's net asset value, liquidity of NWK's ordinary shares, the size of the block of NWK ordinary shares being acquired and the intrinsic fair market value of NWK's ordinary shares;
- 3.1.3. in order for NWK Holdings (or its duly authorised nominee) to settle the Purchase Consideration due to Grindrod in terms of the Sale, NWK will:
 - 3.1.3.1. subject to the required approval being obtained from NWK Shareholders in terms of sections 44 and 45 of the Companies Act, No 71 of 2008, as amended ("**Companies Act**") at the 2019 NWK annual general meeting ("**NWK Sections 44 and 45 Financial Assistance Authority**"), to be held on Monday, 09 September 2019. For ease of reference, special resolution number 4 in the 2019 NWK notice of annual general meeting is the relevant resolution pertaining to the NWK Sections 44 and 45 Financial Assistance Authority; and
 - 3.1.3.2. subject further to the prior authorisation by the NWK board of directors ("**NWK Board**") (including NWK satisfying the solvency and liquidity test in terms of section 4 of the Companies Act ("**Solvency and Liquidity Test**")),

grant an inter-company loan to NWK Holdings (or its duly authorised nominee) equal to the value of the Purchase Consideration (plus any securities transfer tax and/or NWK Holdings' portion of any exchange and/or authorised user related fees which may become due and payable pursuant to the implementation of the Sale) ("**the NWK Loan**");
- 3.1.4. upon the NWK Loan being granted, NWK Holdings (or its duly authorised nominee) will use the NWK Loan to settle the Purchase Consideration due to Grindrod in terms of the Sale (plus any securities transfer tax and/or NWK Holdings' portion of any exchange and/or authorised user related fees which may become due and payable pursuant to the implementation of the Sale);
- 3.1.5. NWK and NWK Holdings (or its duly authorised nominee) may enter into a formal inter-company loan agreement (incorporating the *cession in securitatem debiti* detailed in paragraph 3.1.6 below) for purposes of the NWK Loan ("**the NWK Loan Agreement**"). The NWK Loan Agreement is expected to include terms and conditions which are standard for financing arrangements, including, *inter alia*, the term of the NWK Loan, the terms for repayment and the rate at which interest will accrue;
- 3.1.6. furthermore, it is expected to be a specific condition of the NWK Loan that NWK Holdings furnishes adequate security to NWK for the NWK Loan, which security should be to the satisfaction of the NWK Board ("**NWK Holdings Security**").
- 3.1.7. due to the NWK Holdings Security being furnished by NWK Holdings in accordance with sections 44 and 45 of the Companies Act, the furnishing of the NWK Holdings Security by NWK Holdings is subject to the prior approval by NWK Holdings Shareholders ("**NWK Holdings Sections 44 and 45 Financial Assistance Authority**") at the 2019 NWK Holdings annual general meeting, to be held on Monday, 09

September 2019 and pursuant to such NWK Holdings Shareholder approval, authorisation by the NWK Holdings board of directors ("**NWK Holdings Board**") (including confirmation by the NWK Holdings Board that NWK Holdings satisfies the Solvency and Liquidity Test in terms of section 4 of the Companies Act). For ease of reference, special resolution numbers 9 and 10 in the 2019 NWK Holdings notice of annual general meeting are the relevant resolutions pertaining to the NWK Holdings Section 44 and 45 Financial Assistance Authority.

3.2. The Sale Conditions Precedent

The Grindrod Sale of Shares Agreement and the implementation of the Sale are subject to the fulfilment of the following Sale Conditions Precedent that –

- 3.2.1. by not later than **17h00 on Monday, 09 September 2019**, the requisite number of votes by NWK Shareholders be exercised in favour of the NWK Sections 44 and 45 Financial Assistance Authority. For the avoidance of doubt, to the extent that NWK Shareholders approve the NWK Sections 44 and 45 Financial Assistance Authority, any inter-company financial assistance to be granted by NWK to NWK Holdings will have to comply with the terms set out in the special resolution, including but not limited to, the NWK board of directors confirming that the terms upon which the financial assistance will be granted is fair and reasonable to NWK;
- 3.2.2. by not later than **17h00 on Monday, 09 September 2019**, the requisite number of votes by NWK Holdings Shareholders be exercised in favour of the NWK Holdings Sections 44 and 45 Financial Assistance Authority, so as to allow NWK Holdings to furnish the NWK Holdings Security to NWK in respect of the NWK Loan;
- 3.2.3. by not later than **12h00 on Wednesday, 18 September 2019**, pursuant to the approval of the NWK Sections 44 and 45 Financial Assistance Authority, the NWK Board authorises NWK to grant the NWK Loan, which NWK Board authorisation will also include the application of the solvency and liquidity test as contemplated in terms of section 4 of the Companies Act ("**Solvency and Liquidity Test**") (including confirmation of the Solvency and Liquidity Test having been satisfied);
- 3.2.4. by not later than **12h00 on Wednesday, 18 September 2019**, the NWK Loan is advanced in full by NWK to NWK Holdings, and NWK and NWK Holdings respectively confirm to Grindrod in writing that such advance has been made and received;
- 3.2.5. by not later than **12h00 on Wednesday, 18 September 2019**, the NWK Loan is fully utilised to credit the NWK Holdings share trading account held with A-Trade Proprietary Limited ("**A-Trade**") as approved authorised user of 4 Africa Exchange Proprietary Limited ("**4AX**"), such that the full amount of the NWK Loan is available to transfer into the Grindrod share trading account held with A-Trade on the Closing Date (as defined below), and NWK Holdings confirms in writing to Grindrod that such has taken place (supported by written confirmation from A-Trade); and
- 3.2.6. by not later than **12h00 on Wednesday, 18 September 2019**, any and all regulatory approvals that may be required from 4AX be obtained.

4. FINANCIAL INFORMATION

In accordance with paragraph 13.17.6 of the 4AX Listing Requirements, the following financial information relating to NWK Holdings and the Grindrod Sale Shares to be acquired by NWK Holdings in terms of the Sale is disclosed:

	NWK Holdings (per NWK Holdings financial statements)	Grindrod Sale Shares (per NWK financial statements)
Book value of assets – as at 30 April 2019 #	R3 089 666 667	R572 478 810
Net asset value – as at 30 April 2019 #	R1 535 200 000	R318 009 520
Net profit before tax – as at 30 April 2019 #	R271 500 000	R55 358 438

Per the latest published audited annual financial statements for the year ended 30 April 2019

5. ADDITIONAL MATERIAL TERMS AND/OR UNDERTAKINGS OF THE GRINDROD SALE OF SHARES AGREEMENT

- 5.1. Shareholders should note that the Grindrod Sale of Shares Agreement contains warranties, indemnities and undertakings that are standard for transactions such as the Sale.
- 5.2. However, notwithstanding the aforementioned, Grindrod and NWK Holdings have agreed to the following additional terms and/or undertakings:
 - 5.2.1. subject to NWK Holdings not being precluded from voting in terms of the Companies Act and/or the 4AX Listing Requirements, NWK Holdings provided an irrevocable undertaking in favour of Grindrod to exercise all its voting rights as NWK Shareholder in favour of the NWK Sections 44 and 45 Financial Assistance Authority;
 - 5.2.2. subject to the NWK Holdings board members not being precluded from voting in terms of the Companies Act and/or the 4AX Listing Requirements (in their capacity as NWK Holdings Shareholders and/or NWK Shareholders), NWK Holdings provided an irrevocable undertaking, in favour of Grindrod, that NWK Holdings has ascertained and will ensure that each of the NWK Holdings Board members shall exercise all of their respective voting rights as NWK Holdings Shareholders and/or NWK Shareholders in favour of the NWK Holdings Sections 44 and 45 Financial Assistance Authority and/or the NWK Sections 44 and 45 Financial Assistance Authority;
 - 5.2.3. subject to Grindrod not being precluded from voting in terms of the Companies Act and/or the 4AX Listing Requirements, Grindrod provided an irrevocable undertaking in favour of NWK Holdings to exercise all its voting rights as NWK Shareholder in favour of the NWK Sections 44 and 45 Financial Assistance Authority. Insofar this undertaking by Grindrod is concerned, Shareholders are referred to paragraph 7 below detailing a formal ruling by 4AX's Issuer Regulation Committee in respect of the Sale;
 - 5.2.4. that Murray Grindrod who serves as Grindrod's board representative on the NWK Board shall deliver to NWK Holdings and NWK his written resignation from the NWK Board, which resignation will take effect upon the settlement of the Purchase Consideration in Grindrod's share trading account. Furthermore, the written resignation shall include a waiver by Murray Grindrod from all claims, whether in contract or in delict, actual or contingent, that he may have had against NWK up and until the Closing Date. Equally, NWK undertakes to provide a similar waiver to Grindrod.

6. EFFECTIVE DATE

Shareholders should note that the effective date of the Sale shall be the Closing Date in terms of the Grindrod Sale of Shares Agreement, which is, subject to the fulfilment of the Sale Conditions Precedent, Monday, 23 September 2019, or such other date as may be agreed in writing by NWK Holdings, NWK and Grindrod.

7. CATEGORISATION OF THE SALE

Shareholders should note that a formal ruling was made by 4AX's Issuer Regulation Committee in respect of, *inter alia*, the categorisation of the Sale, in terms of which formal ruling the Issuer Regulation Committee:

- 7.1. confirmed that the Sale be deemed as a "*Disclosable Transaction*" as contemplated in terms of paragraph 13.15 of the 4AX Listing Requirements;
- 7.2. ruled in accordance with paragraph 2.3 of the 4AX Listing Requirements that, given Grindrod's vested interest in the Sale, Grindrod be precluded from voting on special resolution number 4 to be tabled at the 2019 NWK annual general meeting pertaining to the Sale. Notwithstanding Grindrod being precluded from voting on such resolution, Grindrod may be taken into consideration for purposes of determining whether a valid quorum has been established for the 2019 NWK annual general meeting; and
- 7.3. ruled that the additional information detailed in paragraph 8 below be included in this terms announcement in respect of the Sale.

8. ADDITIONAL INFORMATION RELATING TO NWK HOLDINGS AND/OR THE SALE

In accordance with paragraph 7.3 above, the following additional information relating to NWK Holdings and/or the Sale are disclosed:

8.1. Working Capital Adequacy Statement

The NWK Holdings and NWK Boards are of the opinion that the available working capital of NWK Holdings, NWK respectively (in each case including their respective subsidiaries) are sufficient for their respective current requirement and will be so adequate for at least the next 12 (twelve) months from the date of this announcement.

8.2. Prospects

The last few years climate change, political uncertainty around expropriation of land without compensation and the economic climate in South Africa are thematic in the agri-industry. We however do not have control over these factors and have risk policies in place to manage these risks. Our economic outlook is down for the financial year compared to 2019, but not on a material scale. The climate outlook is more stable for this planting season compared to the previous, and therefore we expect an upturn in economic conditions in the agricultural environment for the 2021 financial year. These cycles are not uncommon in the agricultural environment. Therefore, our outlook is more towards an upturn after this financial year.

The NWK Group has focussed over the past two years on exiting from loss making businesses and improving liquidity though improved cash flow. The NWK Group has succeeded in improving the financial position to such an extent that we are looking forward to a period where we can focus on growth opportunities.

8.3. Details of any material changes in the financial or trading position of the NWK Group since the date of the last financial year end

The NWK Holdings and NWK Boards hereby confirm that there has been no materially adverse change in the financial or trading position of the NWK Group since the date on which the audited annual financial statements for the year ended 30 April 2019 was published.

8.4. Availability of NWK Holdings' financial statements

Shareholders should note that NWK and NWK Holdings' financial statements are available for download from NWK Holdings' and NWK's website (<https://www.nwk.co.za/financial-results>).

9. DEFERRAL OF THE NWK HOLDINGS AND NWK ODD-LOT OFFERS

9.1. Shareholders are referred to the NWK Holdings and NWK Odd-lot Offers, details of which have been included in the 2019 notices of annual general meeting of NWK Holdings and NWK and are hereby advised that, as a result of NWK Holdings and NWK entering into the Grindrod Sale of Shares Agreement and the potential effect that the Sale could have on the price of NWK's ordinary shares (to the extent that the Sale is successfully implemented), which could potentially prejudice Odd-Lot Holders, the NWK Holdings and NWK Boards have deemed it prudent and in the interest of NWK Holdings and NWK Shareholders to defer the implementation of the NWK Holdings and NWK Odd-lot Offers until late 2019 / early 2020.

9.2. Shareholders should note that the deferred dates and times applicable to the NWK Holdings and NWK Odd-lot Offers will be communicated to Shareholders before the date of the NWK Holdings and NWK annual general meetings.

Lichtenburg
02 September 2019

4AX ISSUER AGENT:
Pallidus Capital Proprietary Limited
