

ANCHOR GROUP LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 2009/005413/06)

Share code: ACG ISIN: ZAE000193389

("Anchor" or "the Company")

The logo for Anchor Group, featuring the word "ANCHOR" in a large, white, sans-serif font with a stylized anchor symbol to its left, and the word "GROUP" in a smaller, white, sans-serif font to its right, all set against a dark blue rectangular background.

DISPOSAL OF A 60% INTEREST IN ANCHOR STOCKBROKERS PROPRIETARY LIMITED TO A RELATED PARTY

1. INTRODUCTION

Anchor Stockbrokers is a South African stockbroker registered as a member of the JSE Limited providing niche focused property stockbroking services, which includes research and execution that creates value and provides unique insights to its client base, being institutional clients, corporates and private clients.

During 2018, Anchor entered into an agreement with Clyrofon Proprietary Limited ("**Clyrofon**"), an investment consortium, in terms of which Clyrofon purchased 51% of the shareholding in Anchor Stockbrokers Proprietary Limited ("**Anchor Stockbrokers**") from Anchor. In terms of the agreement with Clyrofon, Anchor continued to hold 51% of the equity rights to the Anchor Private Client business ("**Anchor Equity Interest**") not included in the sale of shares to Clyrofon.

Clyrofon currently holds 51% of the issued share capital of Anchor Stockbrokers and Anchor holds 49% of the issued share capital of Anchor Stockbrokers.

On 29 November 2019, with an addendum signed on 29 November 2019, Anchor, Clyrofon and Anchor Stockbrokers entered into an agreement ("**the Transaction Agreement**") with Masimong Group Holdings Proprietary Limited ("**Masimong**"), in terms of which (i) Masimong will acquire Clyrofon's 51% shareholding in Anchor Stockbrokers ("**Clyrofon Sale Shares**") and all of Clyrofon's claims against Anchor Stockbrokers ("**Clyrofon Sale Claims**"); and (ii) Masimong will acquire an additional 9% of the issued share capital of Anchor Stockbrokers ("**Anchor Sale Shares**") from Anchor, and Anchor will dispose of the Anchor Equity Interest to Masimong ("**the Transaction**").

Following the Transaction, Masimong will hold 60% of the issued share capital of Anchor Stockbrokers (including the Anchor Equity Interest) and Anchor will hold 40% of the issued share capital of Anchor Stockbrokers.

2. RATIONALE

The Transaction is expected to enhance Anchor Stockbroker's Broad-Based Black Economic Empowerment ("**B-BBEE**") rating as on conclusion of the Transaction and Anchor Stockbrokers will be 51% black-owned.

3. TERMS OF THE ACQUISITION

3.1 The Transaction

Masimong will purchase the Clyrofon Sale Shares and Clyrofon Sale Claims in Anchor Stockbrokers from Clyrofon for an aggregate purchase consideration of R8 079 777. Masimong will purchase the Anchor Sale Shares and the Anchor Equity Interest for an aggregate purchase consideration of R10 398 461 (together, “**the Consideration**”). The Consideration is payable in cash on the closing date, being 3 business days following the day on which the suspensive conditions have been fulfilled or waived (“**Closing Date**”), as the case may be. The Consideration will increase the cash reserves.

In terms of the Transaction Agreement, Masimong will grant an option to and in favour of Anchor (“**Anchor Group Option**”) to purchase the shares in Anchor Stockbroking held by Masimong, including any loan claims and interest accrued from the date on which Anchor qualifies as a black owned company as defined under the B-BBEE Act No. 53 of 2003 and the B-BBEE Codes of Good Practice until the expiry of five years after the effective date of 31 October 2019 (“**the option period**”).

Should Anchor not exercise the Anchor Group Option within the Option period, Masimong shall have the right (“**Put**”) to require Anchor, who shall be then be obliged, to purchase the Anchor Group Option shares including any loan claims and interest accrued at the same price and conditions of the purchase price of the Anchor Group Option shares. The Put shall endure until the expiry of five years after the option period.

The purchase price for the Anchor Group Option shares shall be the aggregate purchase price payable by Masimong in terms of the Transaction plus the accumulated profits of Anchor Stockbrokers (including any loan claims and interest accrued thereon), which purchase price shall be limited to and not exceed 9.99% of Anchor’s market capitalisation at the time of exercise of the Anchor Group Option or Put, whichever is applicable.

The exercise of the Anchor Group Option and Put shall be subject to any required regulatory consents and approvals being obtained.

3.2 Suspensive conditions

The Transaction is subject to the fulfilment or waiver, as the case may be, of the following suspensive conditions:

- Masimong, Anchor, Anchor Stockbrokers and Clyrofon passing all resolutions necessary to conclude the Transaction, including any third-party consents required;
- written approval being obtained from all regulatory authorities, including approvals required from the JSE Limited, Takeover Regulation Panel and the Competition Authorities in terms of the Competition Act No. 89 of 1998, if any;
- the written waiver by Anchor of its pre-emptive rights, tag along and come along rights under the shareholders agreement entered into between Clyrofon, Anchor and Anchor Stockbrokers on or about 12 February 2019;
- the adoption of a new shareholders agreement between Anchor, Masimong and Anchor Stockbrokers (the provisions of which will not frustrate or relieve the Company from compliance with the JSE Listings Requirements;

- the adoption of a new Memorandum of Incorporation by the shareholders of Anchor Stockbrokers;
- a satisfactory legal opinion being obtained from the attorneys for Clyrofon confirming the capacity and authority of Clyrofon to enter into the Transaction, including that the directors of Clyrofon have the authority to execute the agreement on behalf of Clyrofon, and that Clyrofon is registered and incorporated in South Africa and maintains such status; and
- Anchor and Anchor Stockbrokers consenting to the pledge of the shares in Anchor Stockbrokers held by Masimong in favour of FirstRand Bank Limited (acting through its Rand Merchant Bank Division) (“RMB”) or any such lender as may replace RMB in accordance with the financing agreement between RMB and Masimong.

3.3 Warranties and undertakings

The Transaction Agreement contains undertakings, warranties and indemnities which are normal for a transaction of this nature.

3.4 Effective date

Subject to the fulfilment or waiver of all of the suspensive conditions, the Transaction will be effective from 31 October 2019.

3.5 Financial Information

As at 31 October 2019, the value of the net assets that are the subject of the transaction, being the Anchor Sale Shares and the Anchor Equity Interest, is R1 245 870 and the profits attributable to the net assets that are the subject of the transaction, being the Anchor Sale Shares and the Anchor Equity Interest for the period 1 January 2019 to 31 October 2019 are, R789 554.

The above financial information is based on the unaudited management accounts for Anchor and Anchor Stockbrokers, respectively, for the 12 months ended 31 October 2019. The management accounts were prepared in accordance with the Company’s accounting policies. The Company is satisfied with the quality of the management accounts of Anchor and Anchor Stockbrokers.

3.4 Related party considerations and categorisation of the transaction

As Masimong is an associate of Mike Teke, the non-executive chairman of Anchor, the Transaction constitutes a related party transaction. Although due to the size of the transaction, shareholder approval is not required, in terms of paragraph 21.12(c) of the JSE Listings Requirements, all related party transactions undertaken by AltX listed companies must be announced, irrespective of the size of the transaction.

29 November 2019

Designated advisor

The logo for JAVACAPITAL, featuring the word "JAVACAPITAL" in a bold, sans-serif font. A blue horizontal line is positioned above the letters "A", "V", and "C".