

The Directors
Sekunjalo Technology Solutions Limited
P.O. Box 181
Cape Town
8000

Dear Sirs and Madams

INDEPENDENT FAIR AND REASONABLE REPORT IN RESPECT OF THE SCHEME OF ARRANGEMENT BY SEKUNJALO TECHNOLOGY SOLUTIONS LIMITED ("TSL")

1. Introduction

- 1.1 The board of TSL has proposed the consolidation of the two classes of issued shares in TSL, being (i) the issued ordinary shares (with a par value of R0.004 each) and, (ii) issued ordinary "N" shares (with a par value of R0.004 each) in the authorised share capital of TSL, by way of a scheme of arrangement in terms of section 114 of the Companies Act 71 of 2008 ("**Companies Act**") between TSL and the TSL Shareholders ("**the Scheme**").
- 1.2 Accordingly, in terms of section 114(2) of the Companies Act, read with Regulation 90 of the Companies Act Regulations of 2011, the board of directors of TSL ("**the Board**") must appoint an independent expert to compile a report thereon.

2. Scope

Nexia SAB&T Chartered Accountants Incorporated ("**SAB&T**") has been appointed as the independent expert to advise, in accordance with the Companies Act, on whether the terms and conditions of the Scheme are fair and reasonable as far as TSL shareholders are concerned.

3. **Responsibility**

Compliance with the Companies Act is the responsibility of the Board. SAB&T's responsibility is to report on the terms and conditions of the Scheme as they relate to TSL shareholders. We confirm that our fair and reasonable opinion (the "**Opinion**") has been provided to the Board, which Opinion will be distributed to shareholders in connection with the Scheme, requiring shareholder approval of same. We understand that the results of our work will be used by the Board to satisfy the requirements of the Companies Act.

4. **Definition of the terms "fair" and "reasonable"**

4.1 A transaction will generally be considered fair to a company's shareholders if the benefits received by shareholders, as a result of a corporate action, are equal to or greater than the value surrendered by a company. The assessment of fairness is primarily based on quantitative considerations. The Scheme may be considered fair if the per share value attributable to TSL shareholders post the Scheme is considered to be equal to or more than the attributable value per share prior to the Scheme.

4.2 In terms of the Companies Regulations, a transaction will be considered reasonable if the value received by the shareholders in terms of the corporate action is higher than the market price of the company's securities at the time that the applicable. In addition, the assessment of reasonableness is also based on qualitative considerations surrounding a transaction. Even though the consideration may differ from the market value of the assets being acquired, a transaction may still be reasonable after considering other significant qualitative factors.

4.3 We have applied the aforementioned principles in preparing our Opinion. A shareholder may be influenced by their particular circumstances (for example taxation and the original price paid for the shares).

5. **Sources of information**

5.1 In the course of our valuation analysis, we relied upon financial and other information, including prospective financial information, obtained from TSL management and its advisors ("**Management**") and from various public, financial and industry sources. Our conclusion is dependent on such information being complete and accurate in all material respects.

- 5.2 The principal sources of information used in formalising our opinion include:
- 5.2.1 the audited annual financial statements of the TSL companies for the financial years ended August 2015 and 2016;
 - 5.2.2 the TSL companies budget and forecast for the years ending August 2016 to August 2021;
 - 5.2.3 other financial and non-financial information and assumptions made by Management;
 - 5.2.4 discussions with Management and its directors regarding the financial information relating to prevailing market, economic, legal and other conditions which may affect the underlying value and the rationale for the Transaction;
 - 5.2.5 publicly available information relating to the share price and PE ratios that we deemed to be relevant; and
 - 5.2.6 publicly available information relating to the industry in which TSL operates that we deemed relevant, including company announcements, analysts' reports and media articles.

6. Assumptions

We have arrived at our opinion based on the following assumptions:

- 6.1 that the terms and conditions of the Scheme are legally enforceable;
- 6.2 that reliance can be placed on the financial information provided;
- 6.3 the current economic, regulatory and market conditions will not change materially;
- 6.4 that TSL is not involved in any material legal proceedings;
- 6.5 that TSL has no outstanding disputes with any regulatory body, including the South African Revenue Service;
- 6.6 there are no undisclosed contingencies that could affect the value of the relevant securities;
- 6.7 the structure of the Transaction will not give rise to any undisclosed tax liabilities; and

6.8 reliance can be placed on the representations made by Management during the course of forming this opinion.

7. **Appropriateness and reasonableness of underlying information and assumptions**

We satisfied ourselves as to the appropriateness and reasonableness of the information and assumptions employed in arriving at our opinion by:

- 7.1 considering the historical trends of provided information and assumptions;
- 7.2 comparing and corroborating such information and assumptions with external sources of information, if such information is available; and
- 7.3 determining the extent to which representations from Management and other industry experts were confirmed by documentary evidence as well as our understanding of TSL and the economic environment in which it operates.

8. **Procedures**

8.1 In arriving at our opinion, we relied upon financial and other information, obtained from Management together with industry-related and other information in the public domain. Our conclusion is dependent on such information being accurate in all material respects.

8.2 In arriving at our opinion we have, inter alia, undertaken the following procedures in evaluating the fair and reasonableness of the Scheme:

- 8.2.1 reviewed and analysed the financial information;
- 8.2.2 reviewed the terms and conditions of the Scheme;
- 8.2.3 reviewed the reasonableness of the information made available by and from discussions held with Management, such as, inter alia:
 - 8.2.3.1 the rationale for the Scheme;
 - 8.2.3.2 the events leading up to the Scheme;
 - 8.2.3.3 such other matters as we considered necessary; and
 - 8.2.3.4 the current market conditions relating to the company.
- 8.2.4 where relevant, corroborated representations made by Management to source documents;

- 8.2.5 reviewed certain publicly available information relating to TSL that we have deemed relevant;
- 8.2.6 obtained letters of representation from Management asserting that we have been provided with all relevant information and that no material information was omitted and that all such information provided to us is accurate in all respects; and
- 8.2.7 considered other relevant facts and information relevant to concluding this opinion.

9. Valuation approach

- 9.1 In considering the Scheme, SAB&T reviewed the valuation of TSL as at August 2016.
- 9.2 We examined the valuation performed and applied a market multiple approach as our primary valuation methodology and valued TSL as a going concern on a non-marketable basis using the discounted cash flow valuation method as a secondary valuation approach.

10. Opinion

- 10.1 We have considered the terms and conditions of the Scheme as set out above and based on the aforementioned, we are of the opinion, subject to the limiting conditions as set out below, that the indicative market value per TSL ordinary share prior to the Scheme being R2.73 per share and will not differ materially after the Scheme is completed.
- 10.2 In considering the values listed above, TSL shareholders should take particular notice of the following factors:
- 10.2.1 the actual market value achieved in a specific transaction may be higher or lower than our estimate of the market value depending upon the circumstances of the transaction (for example strategic considerations of the purchaser), the nature of the business (for example the purchaser's potential synergies); and
- 10.2.2 the above market value represents a standalone valuation of TSL under current management, strategies and business plans.
- 10.3 The Scheme does not have any material adverse effect on TSL or the rights and interests of the holders of the relevant classes of shares in TSL, as the value per TSL ordinary share does not change due to the Scheme.

- 10.4 Subject to a foregoing assumption, based on our analysis and after taking into account all financial and non-financial considerations, we are of the opinion that the Scheme is fair and reasonable to the shareholders of TSL.

11. Limiting conditions

- 11.1 This opinion is provided to the Board in connection with and for the purpose of the Scheme, for the sole purpose of assisting the Board in forming and expressing an opinion for the benefit of TSL shareholders. This opinion is prepared solely for the Board and therefore should not be regarded as suitable for use by any other party or give rise to third party rights.
- 11.2 The forecasted probabilities relate to future events and are based on assumptions, which may not remain valid for the whole of the relevant period. Consequently, this information cannot be relied upon to the same extent as that derived from audited financial statements for completed accounting periods. We express no opinion as to how closely actual results will correspond to those forecasts by Management.
- 11.3 We relied upon the accuracy of the information used by us in deriving our opinion, albeit that, where practicable, we have corroborated the reasonableness of such information and assumptions through, amongst other things, reference to historic precedent and our knowledge and understanding. Whilst our work has involved an analysis of the annual financial statements and other information provided to us, our engagement does not constitute nor does it include an audit conducted in accordance with applicable auditing standards. Accordingly, we assume no responsibility and make no representations with respect to the accuracy or completeness of any information provided to us in respect of the Scheme.
- 11.4 The opinion expressed is necessarily based upon information available to us, the financial, regulatory, securities market and other conditions and circumstances existing and disclosed to us as at the date hereof. We have furthermore assumed that all conditions precedent, including any material regulatory and other approvals required in connection with the Scheme have been or will be properly fulfilled. Subsequent developments may affect our opinion, however we are under no obligation to update, revise or re-affirm such.

12. Sections 115 and 164 of the Companies Act

Sections 115 and 164 of the Companies Act have been included as an annexure to this opinion.

13. Interest of TSL directors

The TSL directors hold no material interest in the TSL shares before the Scheme.

14. Independence and additional regulatory disclosures

- 14.1 We confirm that SAB&T holds no shares in TSL, directly or indirectly. We have no interest, direct or indirect, beneficial or non-beneficial, and to the best of our knowledge, we are not related to a person who has or has had such interest in TSL within the immediately preceding two years or in the outcome of the Scheme.
- 14.2 The directors and employees of SAB&T assigned to this assignment have the necessary qualifications, expertise and competencies to (i) understand the Scheme; (ii) evaluate the consequences of the Scheme; and (iii) assess the effect of the Scheme on the value of the shares and on the rights and interests of TSL shareholders, or a creditor of TSL and are able to express opinions, exercise judgement and make decisions impartially in carrying out this assignment.
- 14.3 Furthermore, we confirm that our professional fee for this opinion is R100,000 (excluding VAT), payable in cash, and is not contingent on the outcome of the Scheme.

15. Consent

We hereby consent to the inclusion of this opinion and references thereto, in whole or in part, in the form and context in which they appear to be included in any required regulatory announcement or documentation regarding the Scheme.

Yours faithfully

A handwritten signature in black ink, appearing to be 'H Kajie', is written over a solid horizontal line.

H Kajie
Director
Nexia SAB&T

Section from Companies Act

115. Required approval for transactions contemplated in Part

- (1) Despite section 65, and any provision of a company's Memorandum of Incorporation, or any resolution adopted by its board or holders of its securities, to the contrary, a company may not dispose of, or give effect to an agreement or series of agreements to dispose of, all or the greater part of its assets or undertaking, implement an amalgamation or a merger, or implement a scheme of arrangement, unless-
- (a) the disposal, amalgamation or merger, or scheme of arrangement-
- (i) has been approved in terms of this section; or
 - (ii) is pursuant to or contemplated in an approved business rescue plan for that company, in terms of Chapter 6; and
- (b) to the extent that Parts B and C of this Chapter, and the Takeover Regulations, apply to a company that proposes to -
- (i) dispose of all or the greater part of its assets or undertaking;
 - (ii) amalgamate or merge with another company; or
 - (iii) implement a scheme of arrangement,
- the Panel has issued a compliance certificate in respect of the transaction, in terms of section 119(4)(b), or exempted the transaction in terms of section 119(6).

[Para. (b) substituted by s. 71 of Act 3/2011]

- (2) A proposed transaction contemplated in subsection (1) must be approved -
- (a) by a special resolution adopted by persons entitled to exercise voting rights on such a matter, at a meeting called for that purpose and at which sufficient persons are present to exercise, in aggregate, at least 25% of all of the voting rights that are entitled to be exercised on that matter, or any higher percentage as may be required by the company's Memorandum of Incorporation, as contemplated in section 64(2); and

[Para. (a) substituted by s. 71 of Act 3/2011]

- (b) by a special resolution, also adopted in the manner required by paragraph (a), by the shareholders of the company's holding company if any, if-
- (i) the holding company is a company or an external company;
 - (ii) the proposed transaction concerns a disposal of all or the greater part of the assets or undertaking of the subsidiary; and

- (iii) having regard to the consolidated financial statements of the holding company, the disposal by the subsidiary constitutes a disposal of all or the greater part of the assets or undertaking of the holding company; and

[Subpara. (iii) substituted by s. 71 of Act 3/2011]

- (c) by the court, to the extent required in the circumstances and manner contemplated in subsections (3) to (6).

(3) Despite a resolution having been adopted as contemplated in subsections (2)(a) and (b), a company may not proceed to implement that resolution without the approval of a court if-

- (a) the resolution was opposed by at least 15% of the voting rights that were exercised on that resolution and, within five business days after the vote, any person who voted against the resolution requires the company to seek court approval; or

[Para. (a) substituted by s. 71 of Act 3/2011]

- (b) the court, on an application within 10 business days after the vote by any person who voted against the resolution, grants that person leave, in terms of subsection (6), to apply to a court for a review of the transaction in accordance with subsection (7).

[Para. (b) substituted by s. 71 of Act 3/2011]

(4) For the purposes of subsections (2) and (3), any voting rights controlled by an acquiring party, a person related to an acquiring party, or a person acting in concert with either of them, must not be included in calculating the percentage of voting rights -

- (a) required to be present, or actually present, in determining whether the applicable quorum requirements are satisfied; or
- (b) required to be voted in support of a resolution, or actually voted in support of the resolution.

[Subs. (4) substituted by s. 71 of Act 3/2011]

(4A) In subsection (4), “**act in concert**” has the meaning set out in section 117(1)(b).

[Subs. (4A) inserted by s. 71 of Act 3/2011]

(5) If a resolution requires approval by a court as contemplated in terms of subsection (3)(a), the company must either-

- (a) within 10 business days after the vote, apply to the court for approval, and bear the costs of that application; or

[Para. (a) substituted by s. 71 of Act 3/2011]

- (b) treat the resolution as a nullity.

(6) On an application contemplated in subsection (3)(b), the court may grant leave only if it is satisfied that the applicant-

- (a) is acting in good faith;
- (b) appears prepared and able to sustain the proceedings; and
- (c) has alleged facts which, if proved, would support an order in terms of subsection (7).

(7) On reviewing a resolution that is the subject of an application in terms of subsection (5)(a), or after granting leave in terms of subsection (6), the court may set aside the resolution only if-

- (a) the resolution is manifestly unfair to any class of holders of the company's securities; or
- (b) the vote was materially tainted by conflict of interest, inadequate disclosure, failure to comply with the Act, the Memorandum of Incorporation or any applicable rules of the company, or other significant and material procedural irregularity.

(8) The holder of any voting rights in a company is entitled to seek relief in terms of section 164 if that person-

- (a) notified the company in advance of the intention to oppose a special resolution contemplated in this section; and
- (b) was present at the meeting and voted against that special resolution.

(9) If a transaction contemplated in this Part has been approved, any person to whom assets are, or an undertaking is, to be transferred, may apply to a court for an order to effect-

- (a) the transfer of the whole or any part of the undertaking, assets and liabilities of a company contemplated in that transaction;
 - (b) the allotment and appropriation of any shares or similar interests to be allotted or appropriated as a consequence of the transaction;
 - (c) the transfer of shares from one person to another;
 - (d) the dissolution, without winding-up, of a company, as contemplated in the transaction;
 - (e) incidental, consequential and supplemental matters that are necessary for the effectiveness and completion of the transaction; or
 - (f) any other relief that may be necessary or appropriate to give effect to, and properly implement, the amalgamation or merger.
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164. Dissenting shareholders appraisal rights

(1) This section does not apply in any circumstances relating to a transaction, agreement or offer pursuant to a business rescue plan that was approved by shareholders of a company, in terms of section 152.

(2) If a company has given notice to shareholders of a meeting to consider adopting a resolution to-

- (a) amend its Memorandum of Incorporation by altering the preferences, rights, limitations or other terms of any class of its shares in any manner materially adverse to the rights or interests of holders of that class of shares, as contemplated in section 37(8); or
- (b) enter into a transaction contemplated in section 112, 113, or 114,

that notice must include a statement informing shareholders of their rights under this section.

(3) At any time before a resolution referred to in subsection (2) is to be voted on, a dissenting shareholder may give the company a written notice objecting to the resolution.

(4) Within 10 business days after a company has adopted a resolution contemplated in this section, the company must send a notice that the resolution has been adopted to each shareholder who-

- (a) gave the company a written notice of objection in terms of subsection (3); and
- (b) has neither-
 - (i) withdrawn that notice; or
 - (ii) voted in support of the resolution.

(5) A shareholder may demand that the company pay the shareholder the fair value for all of the shares of the company held by that person if-

- (a) the shareholder-
 - (i) sent the company a notice of objection, subject to subsection (6); and
 - (ii) in the case of an amendment to the company's Memorandum of Incorporation, holds shares of a class that is materially and adversely affected by the amendment;
- (b) the company has adopted the resolution contemplated in subsection (2); and
- (c) the shareholder-
 - (i) voted against that resolution; and
 - (ii) has complied with all of the procedural requirements of this section.

(6) The requirement of subsection (5)(a)(i) does not apply if the company failed to give notice of the meeting, or failed to include in that notice a statement of the shareholders rights under this section.

(7) A shareholder who satisfies the requirements of subsection (5) may make a demand contemplated in that subsection by delivering a written notice to the company within-

- (a) 20 business days after receiving a notice under subsection (4); or
- (b) if the shareholder does not receive a notice under subsection (4), within 20 business days after learning that the resolution has been adopted.

(8) A demand delivered in terms of subsections (5) to (7) must also be delivered to the Panel, and must state -

[Words preceding para. (a) substituted by s. 103 of Act 3/2011]

- (a) the shareholder's name and address;
- (b) the number and class of shares in respect of which the shareholder seeks payment; and
- (c) a demand for payment of the fair value of those shares.

(9) A shareholder who has sent a demand in terms of subsections (5) to (8) has no further rights in respect of those shares, other than to be paid their fair value, unless-

- (a) the shareholder withdraws that demand before the company makes an offer under subsection (11), or allows an offer made by the company to lapse, as contemplated in subsection (12)(b);
- (b) the company fails to make an offer in accordance with subsection (11) and the shareholder withdraws the demand; or
- (c) the company, by a subsequent special resolution, revokes the adopted resolution that gave rise to the shareholder's rights under this section.

[Para. (c) substituted by s. 103 of Act 3/2011]

(10) If any of the events contemplated in subsection (9) occur, all of the shareholder's rights in respect of the shares are reinstated without interruption.

(11) Within five business days after the later of-

- (a) the day on which the action approved by the resolution is effective;
- (b) the last day for the receipt of demands in terms of subsection (7)(a); or
- (c) the day the company received a demand as contemplated in subsection (7)(b), `if applicable, the company must send to each shareholder who has sent such a demand a written offer to pay an amount considered by the company's directors to be the fair value of the relevant shares, subject to subsection (16), accompanied by a statement showing how that value was determined.

- (12) Every offer made under subsection (11)-
- (a) in respect of shares of the same class or series must be on the same terms; and
 - (b) lapses if it has not been accepted within 30 business days after it was made.
- (13) If a shareholder accepts an offer made under subsection (12)-
- (a) the shareholder must either in the case of-
 - (i) shares evidenced by certificates, tender the relevant share certificates to the company or the company's transfer agent; or
 - (ii) uncertificated shares, take the steps required in terms of section 53 to direct the transfer of those shares to the company or the company's transfer agent; and
 - (b) the company must pay that shareholder the agreed amount within 10 business days after the shareholder accepted the offer and-
 - (i) tendered the share certificates; or
 - (ii) directed the transfer to the company of uncertificated shares.
- (14) A shareholder who has made a demand in terms of subsections (5) to (8) may apply to a court to determine a fair value in respect of the shares that were the subject of that demand, and an order requiring the company to pay the shareholder the fair value so determined, if the company has-
- (a) failed to make an offer under subsection (11); or
 - (b) made an offer that the shareholder considers to be inadequate, and that offer has not lapsed.
- (15) On an application to the court under subsection (14)-
- (a) all dissenting shareholders who have not accepted an offer from the company as at the date of the application must be joined as parties and are bound by the decision of the court;
 - (b) the company must notify each affected dissenting shareholder of the date, place and consequences of the application and of their right to participate in the court proceedings; and
 - (c) the court-
 - (i) may determine whether any other person is a dissenting shareholder who should be joined as a party;
 - (ii) must determine a fair value in respect of the shares of all dissenting shareholders, subject to subsection (16);
 - (iii) in its discretion may-

- (aa) appoint one or more appraisers to assist it in determining the fair value in respect of the shares; or
- (bb) allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective, until the date of payment;
- (iv) may make an appropriate order of costs, having regard to any offer made by the company, and the final determination of the fair value by the court; and
- (v) must make an order requiring-
 - (aa) the dissenting shareholders to either withdraw their respective demands or to comply with subsection (13)(a); and

[Item (aa) substituted by s. 103 of Act 3/2011]

- (bb) the company to pay the fair value in respect of their shares to each dissenting shareholder who complies with subsection (13)(a), subject to any conditions the court considers necessary to ensure that the company fulfils its obligations under this section.
- (15A) At any time before the court has made an order contemplated in subsection (15)(c)(v), a dissenting shareholder may accept the offer made by the company in terms of subsection (11), in which case -
- (a) that shareholder must comply with the requirements of subsection 13(a); and
 - (b) the company must comply with the requirements of subsection 13(b).

[Subs. (15A) inserted by s. 103 of Act 3/2011]

- (16) The fair value in respect of any shares must be determined as at the date on which, and time immediately before, the company adopted the resolution that gave rise to a shareholder's rights under this section.
- (17) If there are reasonable grounds to believe that compliance by a company with subsection (13)(b), or with a court order in terms of subsection (15)(c)(v)(bb), would result in the company being unable to pay its debts as they fall due and payable for the ensuing 12 months-
- (a) the company may apply to a court for an order varying the company's obligations in terms of the relevant subsection; and
 - (b) the court may make an order that-
 - (i) is just and equitable, having regard to the financial circumstances of the company; and
 - (ii) ensures that the person to whom the company owes money in terms of this section is paid at the earliest possible date compatible with the company satisfying its other financial obligations as they fall due and payable.

- (18) If the resolution that gave rise to a shareholder's rights under this section authorised the company to amalgamate or merge with one or more other companies, such that the company whose shares are the subject of a demand in terms of this section has ceased to exist, the obligations of that company under this section are obligations of the successor to that company resulting from the amalgamation or merger.
- (19) For greater certainty, the making of a demand, tendering of shares and payment by a company to a shareholder in terms of this section do not constitute a distribution by the company, or an acquisition of its shares by the company within the meaning of section 48, and therefore are not subject to-
- (a) the provisions of that section; or
 - (b) the application by the company of the solvency and liquidity test set out in section 4.
- (20) Except to the extent -
- (a) expressly provided in this section; or
 - (b) that the Panel rules otherwise in a particular case,
- a payment by a company to a shareholder in terms of this section does not obligate any person to make a comparable offer under section 125 to any other person.

[Subs. (20) inserted by s. 103 of Act 3/2011]