

MEIKLES

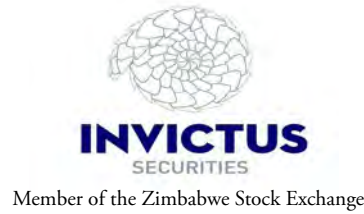
— LIMITED —

(A public company incorporated in the Republic of Zimbabwe in 1937 under company registration number 1/37)

ANNOUNCEMENT TO SHAREHOLDERS OF MEIKLES LIMITED

REGARDING THE SALE OF 35% SHAREHOLDING IN MENTOR AFRICA PROPRIETARY LIMITED, BY THE COMPANY'S FOREIGN SUBSIDIARY, CAPE GRACE INVESTMENTS LIMITED TO EAGLE OWL JNB LIMITED.

SPONSORING BROKER



Date: 28 July 2022

This Announcement is neither a prospectus nor an invitation to the public to subscribe for shares in Meikles Limited ("Meikles") but is issued in compliance with Statutory Instrument ("SI") 134 of 2019 Securities and Exchange (Zimbabwe Stock Exchange ("ZSE") Listings Requirements) Rules, 2019, for the purpose of giving information to the investing public with regards to the Transaction [the sale of the 35% shareholding in Mentor Africa Proprietary Limited ("Mentor") held by Cape Grace Investments Limited ("CGI") to Eagle Owl JNB Limited ("Eagle Owl")] as more fully set out in this Announcement. The Announcement is only available in English.

No action is required to be taken by shareholders as this Announcement is issued solely for the provision of information on the Transaction.

1. BACKGROUND TO THE TRANSACTION

An offer to enter into exclusive negotiations to acquire 100% of the shares ("the Sale Shares") in Mentor was received from Kasada GP Limited. Both shareholders of Mentor authorised the negotiations. The Directors of Meikles (i) approved the terms of a sale of shares transaction after negotiations and (ii) authorised the directors of CGI to sign the Sale of Shares Agreement. The sale is the subject of the Cautionary Statement issued by the Company on 18 March 2022.

2. OVERVIEW OF MEIKLES LIMITED

Meikles is a company incorporated in Zimbabwe in 1937 and listed on the ZSE (primary listing) with a secondary listing on the London Stock Exchange ("LSE"). Meikles has operated on a diversified business model since its listing in 1996. Post the demerger of Tanganda Tea Company Limited in February 2022, Meikles remained with investments in the retail, hospitality, properties, and security services sectors.

3. INFORMATION ON THE PARTIES TO THE TRANSACTION

3.1. Cape Grace Investments Limited

CGI is a company incorporated and registered in accordance with the laws of the British Virgin Islands. CGI is a wholly owned offshore investment subsidiary of the Meikles Group. CGI is a seller of 35% of the Sale Shares.

3.2. Mentor Africa Proprietary Limited

Mentor is an unlisted investment holding company incorporated and registered in accordance with the laws of the Republic of South Africa. Prior to completion of the sale transaction, Mentor had two shareholders. The Sale Shares comprise the total issued shares of Mentor.

Mentor is the ultimate owner of the hotel assets and operation known as the Cape Grace Hotel located in Cape Town, South Africa.

3.3. Eagle Owl JNB Limited

Eagle Owl is a company incorporated and registered in accordance with laws of Mauritius and is owned by Kasada Hospitality Fund LP which is managed by Kasada GP Limited. Eagle Owl is the Purchaser of the Sale Shares.

4. RATIONALE FOR THE SALE TRANSACTION

4.1. CGI acquired its 35% shareholding ("the CGI Mentor Share") in Mentor, through a merger of the Cape Grace Hotel into Mentor to gain access to assets with greater growth prospects than the Cape Grace Hotel in isolation. The Cape Grace Hotel was considered a mature asset with limited growth prospects. Mentor had a diversified portfolio of investments in South Africa that included airline catering services, energy efficient lighting solutions, financial services, and prospects in mining ventures. The anticipated upside potential of Mentor has not been realised.

4.2. The Cape Grace Hotel requires a multi-million-dollar refurbishment to maintain its position as one of the top high-end hotels in Cape Town. It is now fourteen years since the last major refurbishment. Cape Town's top luxury hotels segment has witnessed new entrants over the years. Some of these entrants have the backing of investors with big hotel portfolios and critical mass in terms of funds for renovations.

4.3. It has cost Mentor circa US\$7 million in cash to support the hotel during the height of the COVID-19 pandemic in 2020 and 2021. Whilst recovery of international tourism and travel has commenced, the risk of further COVID-19 disruptions leading to additional financial support requirement, remains high.

4.4. Corporate Excellence Financial Advisory Services (Private) Limited, an independent expert was appointed, by Meikles, to perform the valuation of the investment at each reporting date. The fair value of the CGI Mentor Share was determined by the expert to be US\$4.5 million in June 2021. The value was depressed due to the uncertainty created by the COVID-19 pandemic to hospitality businesses. Before the impact of COVID-19, the independent expert valued the investment at US\$16.9 million on 31 March 2019.

4.5. In view of the returns achieved from the investment since inception, the decision to exit has been in the best interest of Meikles' shareholders. The sale provides an opportunity to redeploy the capital to sectors with higher prospects of returns. The Directors are evaluating options on reinvesting the sale proceeds. An announcement in this regard will be made once the evaluation is complete. The sale proceeds are ring fenced until such time shareholders have been advised of their intended use.

5. TERMS OF THE TRANSACTION

5.1. Eagle Owl has acquired 100% of the Sale Shares which comprise primarily the hotel assets and operation collectively known as the Cape Grace Hotel.

5.2. The offer to purchase the Sale Shares constituted one indivisible transaction, and was accepted by both shareholders of Mentor.

5.3. The sale price received for the CGI Mentor Share amounted to US\$19,079,614 (Nineteen Million, Seventy-Nine Thousand and Six Hundred and Fourteen United States Dollars). CGI's full sale proceeds were received before 31 March 2022.

6. FINANCIAL EFFECT OF THE TRANSACTION

6.1. The financial effect of the transaction is to increase net assets of CGI and the Group (as reflected in the Condensed Financial Statements dated 30 September 2021) by US\$14.6 million. The investment in Mentor was accounted for at fair value through other comprehensive income ("FVTOCI").

6.2. The consolidated unaudited pro-forma financial information showing the impact of the Mentor investment disposal is set out in annexures 1 and 2. The unaudited consolidated pro-forma financial information has been prepared only for the purpose of illustrating the impact of the Mentor investment disposal. The unaudited pro-forma financial information has been prepared on the assumption that the Mentor investment disposal occurred on 30 September 2021. The auction exchange rate between the USD and the ZW\$ on 30 September 2021 was 87.665. The exact accounting effect of the Mentor investment disposal will be shown in the audited consolidated financial statements of Meikles for the year ended 31 March 2022.

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SPONSORING BROKER



INVICTUS
SECURITIES

Member of the Zimbabwe Stock Exchange

Date: 28 July 2022

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No action is required to be taken by shareholders as this Announcement is issued solely for the provision of information on the Transaction.

ANNEXURE 1

ABRIDGED UNAUDITED PRO-FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2021

| | INFLATION ADJUSTED | | |
|--|--------------------|-----------------------|-------------|
| | Reviewed | Effects of the Mentor | Pro-forma |
| | 30 Sep 2021 | Investment Disposal | 30 Sep 2021 |
| | Note 1 | Note 2 | Note 2 |
| | ZW\$ 000 | ZW\$ 000 | ZW\$ 000 |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 6,060,923 | - | 6,060,923 |
| Investment property | 11,804 | - | 11,804 |
| Right of use assets | 2,318,240 | - | 2,318,240 |
| Investment in Mentor Africa (Pty) Limited | 391,440 | (391,440) | - |
| Other financial assets and investments | 990,871 | - | 990,841 |
| Deferred tax | 1,926 | - | 1,926 |
| Total non-current assets | 9,775,204 | (391,440) | 9,383,764 |
| Current assets | | | |
| Inventories | 2,958,523 | - | 2,958,523 |
| Trade and other receivables | 1,800,665 | - | 1,800,665 |
| Other financial assets | 24,721 | - | 24,721 |
| Cash and bank balances | 1,510,409 | 1,672,620 | 3,183,029 |
| | 6,294,318 | 1,672,620 | 7,966,938 |
| Assets held for sale and distribution | 5,674,413 | - | 5,674,413 |
| Total current assets | 11,968,731 | 1,672,620 | 13,641,351 |
| Total assets | 21,743,935 | 1,281,180 | 23,025,115 |
| EQUITY AND LIABILITIES | | | |
| Capital and reserves | | | |
| Share capital | 135,486 | - | 135,486 |
| Share premium | 169,069 | - | 169,069 |
| Other reserves | 393,560 | 1,281,180 | 1,674,740 |
| Retained earnings | 10,345,906 | - | 10,345,906 |
| Equity attributable to equity holders of the parent | 11,044,021 | 1,281,180 | 12,325,201 |
| Non-controlling interests | 3,769,813 | - | 3,769,813 |
| Total equity | 14,813,834 | 1,281,180 | 16,095,014 |
| Non-current liabilities | | | |
| Lease liabilities | 661,943 | - | 661,943 |
| Deferred tax | 1,659,450 | - | 1,659,450 |
| Total non-current liabilities | 2,321,393 | - | 2,321,393 |
| Current liabilities | | | |
| Trade and other payables | 3,428,223 | - | 3,428,223 |
| Borrowings | 71,116 | - | 71,116 |
| Lease liabilities | 51,644 | - | 51,644 |
| | 3,550,983 | - | 3,550,983 |
| Liabilities relating to assets classified as held for distribution | 1,057,725 | - | 1,057,725 |
| Total current liabilities | 4,608,708 | - | 4,608,708 |
| Total liabilities | 6,930,101 | - | 6,930,101 |
| Total equity and liabilities | 21,743,935 | 1,281,180 | 23,025,115 |

Notes:

- Represents the reviewed consolidated statement of financial position of Meikles as at 30 September 2021.
- Represents the effects of the Mentor investment disposal.
- Represents the unaudited consolidated pro-forma statement of financial position after the effects of the Mentor investment disposal.

ANNEXURE 2

ABRIDGED UNAUDITED PRO-FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

| | INFLATION ADJUSTED | | |
|--|--------------------|-----------------------|--------------|
| | Reviewed | Effects of the Mentor | Pro-forma |
| | 30 Sep 2021 | Investment Disposal | 30 Sep 2021 |
| | Note 1 | Note 2 | Note 2 |
| | ZW\$ 000 | ZW\$ 000 | ZW\$ 000 |
| CONTINUING OPERATIONS | | | |
| Revenue | 19,984,471 | - | 19,984,471 |
| Net operating costs | (18,935,129) | - | (18,935,129) |
| Operating profit | 1,049,342 | - | 1,049,342 |
| Investment income | 868,950 | - | 868,950 |
| Finance costs | (122,488) | - | (122,488) |
| Net exchange gains | 34,886 | - | 34,886 |
| Net monetary gain | 131,803 | - | 131,803 |
| Profit before tax | 1,962,493 | - | 1,962,493 |
| Income tax expense | (325,457) | - | (325,457) |
| Profit for the period from continuing operations | 1,637,036 | - | 1,637,036 |
| DISCONTINUED OPERATION | | | |
| Loss for the period from discontinued operation | (533,160) | - | (533,160) |
| Profit for the period | 1,103,876 | - | 1,103,876 |
| Other comprehensive (loss) / income, net of tax | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | |
| Fair value gain on investments in equity instruments designated at FVTOCI | - | 1,281,180 | 1,281,180 |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange rate adjustments on translation of foreign operations | 49,627 | - | 49,627 |
| Other comprehensive income for the period, net of tax | 49,627 | 1,281,180 | 1,330,807 |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | 1,153,503 | 1,281,180 | 2,434,683 |

Notes:

- Represents the reviewed consolidated statement of profit or loss and other comprehensive income of Meikles for the six months ended 30 September 2021.
- Represents the effects of the Mentor investment disposal.
- Represents the unaudited consolidated pro-forma statement of profit or loss and other comprehensive income after the effects of the Mentor investment disposal.

BY ORDER OF THE BOARD

Tabani Mpfu
Company Secretary
28 July 2022