

## **THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

The definitions and interpretations set out on pages 5 to 6 of this Circular apply, mutatis mutandis, to the paragraphs below.

This Circular is dispatched to Shareholders of Furnmart Limited registered as such on 1 November 2018.

The BSE has not verified the accuracy and truth of the contents of the documentation submitted to it and, the BSE accepts no liability of whatever nature for any loss, liability, damage or expense resulting directly or indirectly from the sale of shares by Shareholders to Furnmart Limited.

If you are in any doubt as to what action you should take in relation to this Circular; please consult your accountant, broker, banker, CSDP, legal advisor or other professional advisor immediately. This document is issued in compliance with the provisions of the Listings Requirements, to the Shareholders of Furnmart Limited, for the purposes of (a) the de-listing of the shares of Furnmart from the BSE; and (b) the proposed offer by Furnmart to repurchase its own Shares from Furnmart Shareholders as at the Offer Record Date, who elect to accept the Offer, for the Offer Consideration of BWP 0.65 per Share in cash.

### **Action required:**

1. If you have disposed all of your Shares in Furnmart Limited, this Circular should be sent to the agent through whom you have disposed of such Shares, for onward delivery to the purchaser of those Shares.
2. Attached to this Circular is the Notice convening the Extraordinary General Meeting of Shareholders of Furnmart Limited ("EGM"), to be held on 11 December 2018 at 08h00 in the Training Room, Furnmart Head Office, Plot 20573/4, Block 3, Gaborone, and the relevant Form of Proxy. Shareholders who are unable to attend the EGM should complete the attached Form of Proxy and return it to DPS Consulting Services (Pty) Limited at Plot 50371, Fairgrounds Office Park, Gaborone, if by post to PO Box 1453, Gaborone, if by fax to +267 3973901, not later than 24 hours before the meeting i.e. by 08H00 on the 10 December 2018. Submission of a proxy will not preclude Shareholders from attending and voting in person at the EGM, should they so desire.



**FURNMART LIMITED**  
(Incorporated in the Republic of Botswana on 1 March 1974)  
(Company number 1596)  
BSE Ordinary Share Code: FURNMART  
("Furnmart" or "the Company")

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## **CIRCULAR TO SHAREHOLDERS OF FURNMART LIMITED**

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Relating to:

- the de-listing of the Shares of Furnmart from the BSE.
- the proposed offer by Furnmart to repurchase its own Shares from Furnmart Shareholders as at the Offer Record Date, who or which elect to accept the Offer for the Offer Consideration of BWP 0.65 per Share in cash;
- including a Notice for an Extraordinary General Meeting;
- including a Form of Proxy; and
- including a Form of Election.

Sponsoring Broker



Transfer Secretary



Legal Advisor

**Collins Newman & Co...**  
Attorneys Notaries Conveyancers

Independent Professional Expert

**IMARA**  
Corporate Finance

Auditors



**Directors****Executive:**

DS Le Roux (Managing Director)  
TLJ Mynhardt (Deputy Chairman)  
E Odendaal

**Non-Executive:**

JT Mynhardt (Chairman)  
FB Lebala  
JP McLoughlin (Independent)  
S Venkataramani  
LG Waldeck (Independent)

**Company Secretary**

S Venkataramani  
Plot 20573/4, Block 3, Gaborone  
(Private Bag 115, Gaborone)

**Transfer Secretaries**

DPS Consulting Services (Pty) Limited  
Plot 50371, Fairground Office Park, Gaborone  
(PO Box 1453, Gaborone)

**Legal Advisor**

Collins Newman & Co  
Dinatla Court, Plot 4863, Gaborone  
(P.O. Box 882, Gaborone)

**Registered Office**

Plot 50371  
Fairground Office Park  
Gaborone

**Sponsoring Broker**

Motswedi Securities (Pty) Limited  
Plot 113, Unit 3, Kgale Mews, Gaborone  
(Private Bag 00223, Gaborone)

**Independent Professional Expert**

Imara Botswana Limited, trading as Imara  
Corporate Finance  
Unit 6, 2nd Floor, Morojwa Mews  
Plot 74770, Western Commercial Road  
New CBD, Gaborone  
(Private Bag 173, Gaborone)

**Auditors**

PricewaterhouseCoopers  
Plot 50371, Fairground Office Park, Gaborone  
(PO Box 294, Gaborone)

## TABLE OF CONTENTS

The definitions and interpretations set out on pages 5 to 6 of this Circular apply, mutatis mutandis, to the following table of contents:

1	DEFINITIONS AND INTERPRETATIONS	5
2	INTRODUCTION	7
3	FURNMART BUSINESS	7
4	DELISTING	8
5	OFFER	8
6	MAJORITY SHAREHOLDERS	10
7	SETTLEMENT OF THE OFFER CONSIDERATION	10
8	REMAINING SHAREHOLDERS	11
9	OFFER PERIOD	11
10	FUNDING AND CASH CONFIRMATION	11
11	CONTINUATION OF FURNMART FOLLOWING THE OFFER	11
12	SECTION 323 AND PRIVATE COMPANY	11
13	FINANCIAL INFORMATION	11
14	EFFECTS OF THE SHARE REPURCHASE ON ISSUED SHARES AND STATED CAPITAL, AND EARNINGS PER SHARE	12
15	TAX IMPLICATIONS	12
16	MARKET PRICE OF FURNMART SHARES	12
17	DIRECTORS INTEREST IN ISSUED SHARES	14
18	DIRECTORS DEALINGS IN SHARES	14
19	DIRECTORS REMUNERATION	14
20	IRREVOCABLE COMMITMENTS	14
21	DIRECTORS' RESOLUTION	14
22	SOLVENCY	14
23	PROCESS FOR AND EFFECTS OF DE-LISTING	14
24	ACTION TO BE TAKEN	15
25	DIRECTORS' RESPONSIBILITY STATEMENT	15
26	INDEPENDENT EXPERT OPINION	15
27	BOARD'S OPINION ON THE OFFER	16
28	CONSENTS	16
29	MATERIAL AGREEMENTS	16
30	MATERIAL LITIGATION	17
31	DOCUMENTATION AVAILABLE FOR INSPECTION	17
	ANNEXURE 1: ABRIDGED FINANCIAL INFORMATION OF FURNMART FOR THE YEAR ENDED 31 JULY 2018	18
	ANNEXURE 2: INDEPENDENT EXPERTS FAIR AND REASONABLE OPINION	20
	ANNEXURE 3: NOTICE OF EXTRAORDINARY GENERAL MEETING	29
	ANNEXURE 4: FORM OF PROXY	31
	ANNEXURE 5: FORM OF ELECTION	33

## **SALIENT DATES AND TIMES FOR THE DE-LISTING AND OFFER**

<b>Description</b>	<b>Date</b>
Dispatch of Circular to Shareholders	9 November 2018
EGM	11 December 2018
Results announcement of the EGM	12 December 2018
Offer Opens	12 December 2018
Offer closes	4 January 2019
Settlement Date	8 January 2019
Shares de-listed from BSE	10 January 2019
Issue of share certificates on or before	15 January 2019

### **Notes:**

1. All times indicated above are local times in Botswana.
2. The dates and times indicated in the table above are subject to change. Any such changes will be published on X-News and in the press.

## I DEFINITIONS AND INTERPRETATIONS

In this Circular and the annexures hereto, unless the context indicates a contrary intention, the words in the first column shall have the meanings assigned to them in these columns; the singular includes the plural and vice versa; an expression which denotes one gender includes the other gender; a natural person includes a juristic person and vice versa and cognate expressions shall bear correspondent meanings.

“Act”	means the Botswana Companies Act 2003 (CAP.42:01) as amended, or any law which may replace it in part or wholly;
“the Board” or “Directors”	means the board of directors of Furnmart, as set out on page 2 to this Circular;
“Botswana”	means the Republic of Botswana;
“BSE”	means the Botswana Stock Exchange established in terms of the Botswana Stock Exchange Act;
“Business Day”	means any day other than a Saturday, Sunday, or official public holiday in Botswana;
“Circular”	means this circular dated 30 October 2018 including annexures hereto;
“CIPA”	means the Companies and Intellectual Property Authority for Botswana;
“Closing Date”	means the closing date of the Offer being 4 January 2019;
“Constitution”	means the Constitution of Furnmart adopted by special resolution on 31 May 2010 and registered at CIPA on 18 June 2010;
“Company Secretary”	means Mr S Venkataramani;
“CSDB”	means the Central Securities Depository of Botswana (Proprietary) Limited, which company operates the central securities depository for Botswana, under the auspices of the BSE;
“EGM”	means the extraordinary general meeting of Shareholders, which will be held at 08h00 on 11 December 2018 in the Training Room, Furnmart Head Office, Plot 20573/4, Block 3, Gaborone;
“Form of Proxy”	means the form of proxy for Shareholders in respect of the EGM, annexed to this Circular as Annexure 4;
“Form of Election”	means the Form of Election annexed to this Circular as Annexure 5;
“Furnmart Group”	means Furnmart and its subsidiaries;
“Independent Professional Expert”	means Imara Botswana Limited, trading as Imara Corporate Finance, a company incorporated in Botswana;
“Issued Shares”	means 606 446 080 ordinary shares which are in issue and outstanding as at the Last Practicable Date;
“Last Practicable Date”	means 15 October 2018, being the last practical date for insertion of information prior to the finalisation of this Circular;
“Legal Advisors”	means Collins Newman & Company, a firm of attorneys, notaries, and conveyancers, practising in Botswana;
“Listings Requirements”	means the listings requirements of the BSE;

<b>“Meeting Record Date”</b>	means 30 November 2018 for the purposes of ascertaining which Shareholders are registered as such in the register of the Company and entitled to vote at the EGM;
<b>“Notice”</b>	means the notice convening the EGM, incorporated into this Circular as Annexure 3;
<b>“Offer” or “Offer to Repurchase”</b>	means the offer by the Company, in terms of the Listings Requirements, to the Qualifying Shareholders, to acquire Shares on the terms set out in this Circular;
<b>“Offer Consideration”</b>	means BWP 0.65 per Share, payable in cash, based on the terms of this Circular;
<b>“Offer Participants”</b>	means all Qualifying Shareholders who validly and lawfully accept or are deemed to accept the Offer by the Closing Date and who are thus entitled to receive the Offer Consideration.
<b>“Offer Record Date”</b>	means the 4 January 2019;
<b>“Offer Resolution”</b>	means the Ordinary Resolution for the Company to repurchase its own shares at the Offer Consideration as contained in the Notice of the EGM to be considered and voted upon by Shareholders;
<b>“Ordinary Resolution”</b>	means an ordinary resolution as defined in the Act;
<b>“Pula” or “P” or “Thebe”</b>	means the lawful currency of Botswana;
<b>“Qualifying Shareholder”</b>	means all the Shareholders in Furnmart registered as such on the Offer Record Date, excluding SG Kleinwort Hambros Trust Company (CI) Limited as Trustee of The Marula Trust and Scotstrail Inc;
<b>“Settlement Date”</b>	means 8 January 2019;
<b>“Share”</b>	means an issued ordinary share in the Stated Capital of Furnmart;
<b>“Shareholders”</b>	means all the Shareholders in Furnmart, registered as such on the Meeting Record Date and / or the Offer Record Date as applicable;
<b>“Resolution to de-list”</b>	means the Ordinary Resolution to de-list contained in the Notice of the EGM to be considered and voted upon by Shareholders at the EGM.
<b>“Sponsoring Broker”</b>	means Motswedi Securities (Pty) Limited, a private company incorporated in Botswana;
<b>“Stated Capital”</b>	has the meaning ascribed to it in Section 5 of the Act and, in relation to the Company, is P198 898 753, as at the Last Practicable Date;
<b>“Transfer Secretary”</b>	means DPS Consulting Services (Pty) Limited, a private company incorporated in Botswana;
<b>“VAT”</b>	means value added tax.

## 2 INTRODUCTION

- 2.1. Furnmart seeks a delisting of its shares from quotation and trade on the BSE.
- 2.2. As required by the BSE, Furnmart has provided an exit from the Company for Shareholders which do not wish or cannot be invested in a non-listed entity, and offers to repurchase Shares from such Shareholders.
- 2.3. Furnmart convenes an EGM of the Shareholders to be held on 11 December 2018, for the purpose of considering and passing (i) an ordinary resolution for the de-listing of the Issued Shares from trading on the BSE; (ii) subject to resolution (i) above being passed, an ordinary resolution enabling the Company to repurchase Shares from Furnmart Shareholders who wish to exit the Company.
- 2.4. The purpose of this Circular is to provide the Shareholders of Furnmart with the reasons for the delisting and details of the Offer and to convene the EGM to consider the reason for and pass the Resolution to de-list and the Offer Resolution.

## 3 FURNMART BUSINESS

- 3.1. Furnmart retails domestic furniture, electrical appliances and electronics through its network of stores in Botswana, Namibia and South Africa, having closed down the Zambian operations in recent years. The merchandise mix at mass-market Furnmart stores are aimed at the middle to lower income market, thus covering the majority of the population. The Group's HomeCorp super stores, located in Gaborone, Windhoek, Swakopmund, Boksburg and Kempton Park are aimed at the middle to higher income market. The Furnmart Group strives to establish lasting relationships with its customers through its 'value for money' and 'smart credit' policies.
- 3.2. The Furnmart Group opened nine (9) new Furnmart stores during the 2017/2018 financial year and are now, net of the store closures in the discontinued operations, trading out of 129 stores in three countries.
- 3.3. Profitability for the 2018 financial year was enhanced by the closure of the loss-making operations in Zambia and Home Corp Upington and the stronger performance in the first half of that year. Since early 2018, the Furnmart Group has experienced a marked downturn in trading.
- 3.4. The furniture industry in the region has been in turmoil in recent years with approximately 700 Ellerrines stores and 300 JD Group stores closed. In addition, a number of smaller independent furniture retailers also ceased trading. The impact of these store closures has led to some suppliers, of varying sizes, closing down in recent times. The contraction in the industry is likely to impact on the ability to secure appropriate skills in the future.
- 3.5. The economic conditions and regulatory changes in trading countries impact performance significantly, with increased regulation of credit extension having a direct impact on the business model.
- 3.6. The impact of the draft National Credit Amendment Bill in South Africa, which proposes that all or part of the debt under certain qualifying credit agreements can be extinguished, is likely to have consequences for credit providers. The Furnmart Group's South African customers generally fall within the income bracket contemplated in this draft legislation.
- 3.7. The furniture retail market in Botswana and Namibia remains overtraded and regulatory changes in these markets may present future headwinds. The Namibian economy has contracted on the back of Government's austerity measures.

- 3.8. Growth prospects in the Botswana and Namibia markets are limited. Expansion opportunities are weighted to South Africa, which will increase the currency risk for Botswana investors, impacting both trading results and values of investments, which will in turn increase the investment volatility of the Furnmart Group.
- 3.9. There is some uncertainty in the industry as to the pace at which e-commerce and access to alternative forms of credit will impact on the business and competitive landscape.

#### **4 DELISTING**

- 4.1. The Directors believe that it is in the best interest of the Company that the Issued Shares be de-listed from trading on the BSE because:
  - 4.1.1. The new BSE Listing Requirements which come into effect on 1 January 2019 will mean that the Company will not meet the revised minimum free float after the permitted transition period and as a result will not meet the conditions for remaining listed.
  - 4.1.2. The price of Furnmart shares has been decreasing since 2015 and has ranged between 53 and 55 thebe since October 2017. In addition, the share has proved to be illiquid with only 3.04% of all shares trading in the 6 financial years and 0.02% from the start of the current financial year to the Last Practicable Date. The poor share performance and lack of liquidity are arguably compounded by the negative sentiment investors have shown towards the furniture industry in recent years following the poor performance of furniture companies listed in South Africa such as Steinhoff (owners of the JD Group) and the Lewis Group.
  - 4.1.3. The sector is not widely supported by many investors which further lessens any benefits of being listed.
  - 4.1.4. The changing investment, economic and regulatory environments that Furnmart is exposed to creates significant volatility in performance and requires a more flexible and less governance driven management style to remain relevant and seize opportunities, with potentially more speculative decisions. This is less achievable as a listed company and is not necessarily suited to all current investors.
- 4.2. The Directors have resolved that the Shares be de-listed, and recommend that Shareholders pass the Resolution to de-list to this effect.
- 4.3. SG Kleinwort Hambros Trust Company (CI) Limited as Trustee of The Marula Trust holding 221 229 300 Shares representing 36.48% of the issued shares of the Company and Scotstrail Inc holding 214 499 640 shares representing 35.37% have each indicated it will vote in support of a resolution for delisting.

#### **5 OFFER**

- 5.1. SG Kleinwort Hambros Trust Company (CI) Limited as Trustee of the Marula Trust and Scotstrail Inc have each indicated that it will not disinvest from the Company, and if an offer for the Shares held by it is made to it, it will decline such offer.
- 5.2. As required by the BSE, Furnmart has provided an exit from the Company for Shareholders which do not wish or cannot be invested in a non-listed entity, and offers to repurchase shares from such Shareholders.
- 5.3. The Company offers to repurchase Shares held by Shareholders registered as such on the Offer Record Date, other than SG Kleinwort Hambros Trust Company (CI) Limited as Trustee of The Marula Trust and Scotstrail Inc, who elect to disinvest from the Company and accept the Offer at the Offer Consideration.

- 5.4. The Offer Consideration represents a 20% premium to the three month average weighted traded price of a Share in the Company on 13 September 2018 when the Board took the decision to commence with the transaction and an 18% or P0.10 premium to the three month average weighted price preceding the Last Practicable Date, so as to enable Qualifying Shareholders who do not wish or who are not permitted to remain invested in securities of a non-listed entity, to exit the Company.
- 5.5. On 25 October 2018 the Board declared a dividend of 2.49 thebe per share which dividend is anticipated to be paid on or before 30 November 2018. Therefore all Qualifying Shareholders will have received this dividend in addition to the Offer Consideration, if payable.
- 5.6. Regulatory Compliance
- 5.6.1. The repurchase by Furnmart of its Shares is subject to compliance with the Listings Requirements, the Act, the Constitution and any prevailing laws, rules, regulations, orders, requirements and guidelines issued by the relevant authorities.
- 5.6.2. In accordance with the Act, Furnmart may only effect the repurchase of its own shares if:
- 5.6.2.1. the Constitution of Furnmart does not expressly forbid Furnmart from purchasing its own shares, provided that the shares are fully paid up; and
- 5.6.2.2. the approval of Shareholders by way of an ordinary resolution authorising Furnmart to purchase its own shares is obtained.
- 5.6.3. Furnmart is entitled to repurchase its own shares by virtue of Article 3 of the Constitution and Section 68 of the Act because its shares are fully paid up.
- 5.6.4. The repurchase is subject to the grant of the approval by an ordinary resolution of a simple majority of the votes cast by all Shareholders entitled to vote present or represented by proxy at the EGM and voting.
- 5.6.5. Shareholders will be requested to approve the following Offer Resolution, which will be incorporated into the Notice of the EGM:  
 "The Company is hereby authorised to repurchase its own Shares in the Company from Qualifying Shareholders who elect to sell their Shares and accept the Offer, for the Offer Consideration of BWP 0.65 per Share in cash."
- 5.6.6. The directors recommend that Shareholders approve the Offer Resolution.
- 5.7. Terms of the offer
- 5.7.1. The Offer is made to all shareholders save for
- 5.7.1.1. SG Kleinwort Hambros Trust Company (CI) Limited as Trustee of The Marula Trust holding 221 229 300 Shares representing 36.48% of the issued shares; and
- 5.7.1.2. Scotstrail Inc. holding 214 499 640 Shares representing 35.37% of the issued shares; which Shareholders have indicated in writing that they do not wish to disinvest from nor sell their shares to the Company.
- 5.7.2. The Offer is made at the Offer Consideration.
- 5.7.3. A Shareholder who wishes to accept the Offer must complete on Part A on the Form of Election that:-
- 5.7.3.1. it elects to sell its shares in the Company;
- 5.7.3.2. it accepts the Offer.
- 5.7.4. A Shareholder who does not wish to sell its Shares, and remain invested in the Company must indicate its desire by completing Part B of the Form of Election.
- 5.7.5. A Shareholder may submit the Form of Election at any time after the EGM, and up to the Closing Date.

- 5.7.6. The Offer Consideration due to a Shareholder which has elected to sell its Shares and accept the Offer shall be paid by (i) electronic funds transfer to the bank account reflected on the records of the CSDB or Transfer Secretaries or (ii) cheque sent by ordinary post on the Settlement Date to the address of the Shareholder reflected in the records of the Company, at the risk of the Shareholder with delivery of the cheque to the Post Office being deemed delivered by the Company to the Shareholder.
- 5.7.7. In the event that a Shareholder elects to have the Offer Consideration paid into a bank account which is not reflected on the records with the CSDB or Transfer Secretaries, the Shareholder shall be required to provide full details of the bank account on the Election Form and provide adequate proof in respect of the bank account in which the Offer Consideration is to be paid, to the Transfer Secretaries as appropriate.
- 5.7.8. Any amount paid in respect of the Offer Consideration, which is not claimed, shall be held by the Company for twelve years. No interest will accrue or be paid on any Offer Consideration so held. If such Offer Consideration remains unclaimed at the expiry of twelve years from the Settlement Date it may be appropriated by the Company.
- 5.7.9. A Shareholder who or which elects to remain invested in the Company and elects not to accept the offer and a Shareholder who fails to complete the election form and makes no election, shall remain a shareholder in the Company after delisting of its Shares for quotation and trade from the BSE. Such Shareholder shall be a shareholder in an unlisted company with the value of its/ his/her Shareholding not readily nor transparently determined, and without liquidity to enable shareholders to readily realise the Shares.
- 5.7.10. As of the Settlement Date, all Shares the subject of an election to sell and acceptance of the Offer, shall be deemed surrendered, and shall be cancelled.
- 5.7.11. Settlement of the Offer Price for a Shareholder's Shares the subject of acceptance of the Offer may be claimed from the Company (i) in respect of Shares held in uncertificated dematerialised form, by delivering to the Company at the office of Transfer Secretaries, the Election Form duly completed to the office of the Transfer Secretaries or (ii) in respect of Shares held in certificated form, by delivering the Election Form duly completed together with original share certificates, identity documents or similar of the Shareholder to the office of Transfer Secretaries.

## 6 MAJORITY SHAREHOLDERS

The following Shareholders held more than 5% of the Issued Shares in the Company as at the Last Practicable Date. These Shareholders have committed to voting in favour of the Resolution to de-list and the Offer Resolution. If the Resolution to de-list is passed, the Shares in the Company will be de-listed on a date after the completion of the repurchase of shares, on a date to be agreed on by the BSE anticipated to be 10 January 2019. If the Offer Resolution is passed, Qualifying Shareholders wishing to exit the Company may sell their Shares to the Company.

NO.	SHAREHOLDER	NO. OF SHARES	% OF TOTAL SHARES IN ISSUE
1.	SG Kleinwort Hambros Trust Company (CI) Limited as Trustee for The Marula Trust	221 229 300	36.48%
2.	Scotstrail Inc.	214 499 640	35.37%

The Shareholders reflected above have indicated they will not disinvest from nor sell their Shares in the Company.

## 7 SETTLEMENT OF THE OFFER CONSIDERATION

The Offer Consideration will be settled in cash on the Settlement Date in accordance with the terms of the Offer and will be settled in full without regard to any lien, right of set-off, counterclaim or other analogous right to which Furnmart may otherwise be, or claim to be, entitled against any Qualifying Shareholder.

## **8 REMAINING SHAREHOLDERS**

Shareholders who elect not to sell their Shares and who do not accept the Offer, will remain Shareholders of Furnmart, which will be a non-listed public company.

## **9 OFFER PERIOD**

The Election to sell Shares and accept Offer is available to Qualifying Shareholders in the period 12 December 2018 to 4 January 2019.

## **10 FUNDING AND CASH CONFIRMATION**

Furnmart has furnished proof to the BSE that the funds with which to meet all acceptances of the Offer are available, by undertaking of Mynco (Proprietary) Limited in favour of the BSE in the amount of P111 million that the amount the subject thereof will be held, to be utilised to effect payment of the Offer Consideration payable for Shares purchased, until 14 days after the Settlement Date.

## **11 CONTINUATION OF FURNMART FOLLOWING THE OFFER**

It is the intention of the Company to continue with its business and those of its subsidiaries as presently conducted.

## **12 SECTION 323 AND PRIVATE COMPANY**

12.1. If, following the Offer the requisite percentage of Shareholders to whom the Offer was made accept the Offer, the Company may give notice to Shareholders who have not accepted the Offer pursuant to Section 323(1) of the Companies Act.

12.2. If following the Offer the requisite percentage of Shareholders to whom the Offer was made may have accepted the Offer, had all Shareholders been traced, the Company may make application to Court pursuant to Section 323(3) of the Companies Act.

12.3. In the event the number of Shareholders after close of the Offer is reduced to 25 or less than 25, it is the intention that Furnmart be converted to a private company.

## **13 FINANCIAL INFORMATION**

13.1. Shareholders are referred to the Abridged Audited Financial Information of Furnmart for the year ended 31 July 2018, a copy of which is Annexure 1 hereto.

13.2. The abridged financial information has not been reviewed by the auditors.

13.3. Any investment decision by Shareholders should be based on consideration of the complete set of consolidated financial statements.

13.4. Other than the impact of the movement in the Rand / Pula exchange rate since year end, there have been no material changes to the financial or trading position of Furnmart since the date of the Abridged Audited Financial Information referred to above.

#### 14 EFFECTS OF THE SHARE REPURCHASE ON ISSUED SHARES AND STATED CAPITAL, AND EARNINGS PER SHARE

- 14.1. As at the Last Practicable Date, the number of Issued Shares in Furnmart is 606 446 080.
- 14.2. The Stated Capital of Furnmart as at the Last Practicable Date is P198 898 753.
- 14.3. If the Offer Resolution is passed by the Shareholders and all Qualifying Shareholders accept the Offer, 170 717 140 Shares will be deemed cancelled and the number of issued Shares in Furnmart will be 435 728 940 and the Stated Capital will be P85 932 612.
- 14.4. Upon completion of the Share repurchase, the proportionate shareholding of the remaining Shareholders will increase accordingly.
- 14.5. Assuming all Qualifying Shareholders accept the Offer and the number of Shares in issue is 435 728 940, the repurchase is expected to decrease profit by P5.8 million and, based on the 2018 financial results and the reduced number of shares in issue, earnings per Share would increase by 5.63 thebe.

#### 15 TAX IMPLICATIONS

- 15.1. The tax treatment of the Offer Consideration in the hands of Shareholders is dependent on individual circumstances.
- 15.2. In general terms, any gains on the disposal of shares listed on the Botswana Stock Exchange are not subject to tax (capital gains tax) if those shares have been held for more than one year.
- 15.3. Post delisting, any proceeds from the disposal of Shares by a Shareholder will no longer qualify for the exemption from tax (capital gains tax).
- 15.4. It is recommended that Shareholders should seek appropriate advice in this regard if they are uncertain about their individual tax consequences.

#### 16 MARKET PRICE OF FURNMART SHARES

- 16.1. The highest and lowest traded prices of ordinary Shares on the BSE for each quarter over the previous two years are as follows:

	Aggregate Volume Traded	Highest	Lowest
<b>2016</b>			
October – December	228 194	0.85	0.70
<b>2017</b>			
January – March	232 549	0.70	0.65
April – June	151 514	0.65	0.60
July – September	228 302	0.60	0.55
October – December	310 576	0.55	0.53
<b>2018</b>			
January – March	236 909	0.55	0.54
April – June	407 724	0.54	0.54
July – September	123 901	0.55	0.54

16.2. The highest and lowest traded prices of ordinary shares on the BSE for the past 12 months are as follows:

	Aggregate Volume Traded	Highest	Lowest
<b>2017</b>			
October	7 696	0.55	0.55
November	120 668	0.55	0.53
December	182 212	0.55	0.55
<b>2018</b>			
January	226 786	0.55	0.54
February	10 123	0.54	0.54
March	0	0	0
April	165 605	0.54	0.54
May	91 785	0.54	0.54
June	150 334	0.54	0.54
July	17 850	0.54	0.54
August	18 537	0.54	0.54
September	87 514	0.55	0.54

16.3. The highest and lowest traded prices of ordinary shares on the BSE over the 30 days preceding the Last Practicable Date:

Date	Aggregate Volumes Traded	Highest	Lowest
<b>September 2018</b>			
17	0	0	0
18	0	0	0
19	0	0	0
20	0	0	0
21	0	0	0
24	0	0	0
25	0	0	0
26	0	0	0
27	0	0	0
28	30 000	0.55	0.55
<b>October 2018</b>			
3	0	0	0
4	0	0	0
5	11 033	0.55	0.55
8	0	0	0
9	0	0	0
10	788	0.55	0.55
11	0	0	0
12	0	0	0
15	0	0	0

## 17 DIRECTORS INTEREST IN ISSUED SHARES

Name	Non-Beneficial Interest (indirect) No. of shares	Beneficial Interest (direct) No. of shares	%
JT Mynhardt	26 159 080*		4.31%*
TLJ Mynhardt	26 159 080*		4.31%*
FB Lebala		1 025 185	0.17%
S Venkataramani		102 500	0.02%

\* these holdings relate to the same shareholder

## 18 DIRECTORS DEALINGS IN SHARES

No directors have dealt in Shares during the 12 months period prior to the Last Practicable Date.

## 19 DIRECTORS REMUNERATION

The total remuneration receivable by Furnmart directors will not be varied as a consequence of the Offer.

## 20 IRREVOCABLE COMMITMENTS

The Shareholders referred to in clauses 4 and 6 indicated that they do not intend to sell Shares and were any offer for Shares to be made to them, they would not accept it and have provided irrevocable commitments to:-

- (1) vote for the Resolution to de-list; and
- (2) vote for the Offer Resolution.

## 21 DIRECTORS' RESOLUTION

The Directors resolved on 25 October 2018, having considered this Circular and the annexures hereto, that in terms of Section 66(4) and (12)(c) of the Act, that the Board is not aware of any information that has not been disclosed to Shareholders which is material to an assessment of the value of the shares to be repurchased and which would make the terms on which the shares are being repurchased unfair to Shareholders.

## 22 SOLVENCY

The Directors are confident that pursuant to the proposed Share repurchase, the Company would be able to meet its obligations as they become due in the normal course of business and its assets will exceed its liabilities and Stated Capital. The Directors have so resolved and issued a certificate as required by the Act that after the completion of the Share repurchase, Furnmart will comply with the Solvency Test as set forth in the Act.

## 23 PROCESS FOR AND EFFECTS OF DE-LISTING

23.1. The Listings Requirements prescribes that the de-listing should be approved by Shareholders in a general meeting. Accordingly, the Company seeks shareholder approval by Ordinary Resolution as set out in the Notice of the EGM to de-list the Company.

23.2. Upon the de-listing becoming effective, the Company will no longer be required to comply with the Listings Requirements. The Company will no longer be bound (nor able) to announce, via a regulatory information service, material events, administrative changes or material changes nor to announce interim or final results.

- 23.3. The Company will no longer be required to comply with any of the additional specific corporate governance requirements for companies admitted to trading on the BSE. Upon the de-listing becoming effective, Shareholders who hold ordinary shares in uncertificated form with the CSDB prior to de-listing will receive share certificates on 15 January 2019.
- 23.4. Immediately following the de-listing, there will be no market facility dealing in the shares and no price for shares in the Company will be publicly quoted. As a result, the Directors recognise that the de-listing will make it more difficult for the shareholders to buy and sell shares should they wish to do so.
- 23.5. If after the de-listing, the number of Shareholders exceeds 25, the Company will remain a public company, with the obligations placed on such company by the Act with regard to:
- 23.5.1. Annual reports of directors and auditors;
  - 23.5.2. Submission to Shareholders of annual financial statements;
  - 23.5.3. The holding of annual general meetings;
  - 23.5.4. The grant to Shareholders of an opportunity at that meeting to question the directors and management about the affairs of the Company; and
  - 23.5.5. The continuing obligations of directors of the Company to act with all fiduciary duties toward the Company (in the sense of the general body of shareholders) as stipulated in the Act.
- 23.6. If the number of Shareholders falls to 25 or below the Company will ask Shareholders to approve, by Special Resolution, the conversion of the Company from a public company to a private company, and if so converted then the Act and Financial Reporting Act and its Regulations and any standards, rules or guidelines, if and as applicable, will protect interests of the remaining Shareholders.

## **24 ACTION TO BE TAKEN**

- 24.1. A Shareholder who elects to sell his Shares must complete Part A of the Form of Election.
- 24.2. A Shareholder who does not wish to sell his shares must complete Part B of the Form of Election.

## **25 DIRECTORS' RESPONSIBILITY STATEMENT**

- 25.1. The Directors, whose names are given in the section entitled Corporate Information collectively and individually, accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no other facts the omission of which would make any statement false and misleading that they have made all reasonable enquiries to ascertain such facts and (if applicable) that this Circular contains all information required by law.
- 25.2. The Directors confirm that the Circular includes all information within their knowledge (or which would be reasonable for them to obtain by making enquiries) as investors and their professional advisors would reasonably require and reasonably expect to find for the purposes of making an informed assessment of the merits or demerits of the resolutions proposed, the Offer, and the rights of Shareholders after the delisting.

## **26 INDEPENDENT EXPERT OPINION**

The Company has retained Imara Botswana Limited as independent expert, to render an opinion in respect of the Offer Consideration and terms of the Offer. The Independent Expert has been approved, as such, by the BSE. The Independent Expert determined that the Offer, considering the net asset value of the Company as disclosed in the audited financial information and annual reports of the Company for the years ended 31

July 2018, 31 July 2017 and 31 July 2016 and the forecast performance and prospects of the business of the Company for the year ended 31 July 2019, was not fair.

However the Independent Expert, considering the long term illiquidity of Shares in the Company and the historical lack of willing sellers and buyers for shares of the Company, determined that the Offer was reasonable.

Shareholders are referred to the opinion of the Independent Expert, attached as Annexure 2 to this Circular. The Independent Expert has consented to the inclusion of its report in this Circular, and as at date of issue hereof, that consent has not been withdrawn.

## **27 BOARD'S OPINION ON THE OFFER**

The Board, taking account of the opinion of the Independent Expert in respect of the fairness and reasonableness of the Offer and the Offer Consideration, nevertheless holds the view that the Offer is fair and reasonable for the following reasons:

- 27.1. The Offer Consideration represents a 20% premium to the three-month average weighted traded price of a Share in the Company on 13 September 2018 when the Board took the decision to commence with the transaction and an 18% premium to the three-month average weighted price preceding the Last Practicable Date;
- 27.2. Shareholders are free to elect not to accept the Offer;
- 27.3. The business and risk factors set out in paragraphs 3 and 4 above;
- 27.4. All Shareholders are to be treated equally without discrimination;
- 27.5. No Shareholder shall enjoy any unfair advantage in terms of the Offer being made;
- 27.6. The alternative of holding a minority interest in an unlisted company with the value of its/his/her Shareholding not readily or transparently determined, and without liquidity to enable shareholders to readily realise the shares; and
- 27.7. Post delisting any proceeds from the sale of Shares by a Shareholder will no longer qualify for the exemption from addition to gross income of the Seller for the purposes of taxation.

## **28 CONSENTS**

The advisors to Furnmart whose details appear in the section titled Corporate Information, have consented in writing to act in the capacity stated and to their names being stated in this Circular, and have not withdrawn their consent prior to the issue of this Circular.

## **29 MATERIAL AGREEMENTS**

The Furnmart Group has not entered into any material contracts outside those entered into in the ordinary course of business.

### 30 MATERIAL LITIGATION

The Furnmart Group is not involved in any material litigation or arbitration and is not aware of any material pending proceedings.

### 31 DOCUMENTATION AVAILABLE FOR INSPECTION

Copies of documents listed below will be available for inspection during business hours from the date of issuance of this Circular until the date of the EGM at the Registered Office:

31.1. Signed copy of this Circular;

31.2. Constitution of Furnmart;

31.3. Audited Financial Statements of Furnmart for the last three financial periods;

31.4. Undertaking from Mynco (Proprietary) Limited;

31.5. Advisor's consents; and

31.6. Independent Expert's consent.

DATED AT GABORONE ON THIS 30th DAY OF OCTOBER 2018.



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JT Mynhardt

**Chairman**

for and on behalf of the Directors

## ANNEXURE I:

### ABRIDGED FINANCIAL INFORMATION OF FURNMART FOR THE YEAR ENDED 31 JULY 2018

(All amounts in Pula '000)

#### Abridged Consolidated Statement of Comprehensive Income

	Year ended 31/07/2018	Year ended 31/07/2017
<b>Revenue</b>	<b>I 246 490</b>	<b>I 174 492</b>
Operating income	185 824	130 203
Depreciation	(21 543)	(20 050)
Net interest expense	(14 749)	(21 609)
Share of profit/(loss) from associate	206	(1 630)
<b>Profit before tax and exchange differences</b>	<b>149 738</b>	<b>86 914</b>
Exchange (loss)/gain	(1 351)	10 592
<b>Profit before tax</b>	<b>148 387</b>	<b>97 506</b>
Income tax expense	(40 447)	(32 949)
<b>Profit after tax</b>	<b>107 940</b>	<b>64 557</b>
Other Comprehensive income		
Currency translation differences	(2 627)	3 675
<b>Total comprehensive income for the year</b>	<b>105 313</b>	<b>68 232</b>
Gross dividend - Interim per share (thebe)	3.44	1.30
- Final per share (thebe)	2.49	2.25
Dividend declared (gross) - Interim	20 862	7 884
Dividend declared (gross) - Final	15 101	13 645
Weighted average number of shares in issue	606 446 080	606 446 080
Basic earnings per share (thebe)	17.80	10.65

#### Abridged Consolidated Statement of Financial Position

	Year ended 31/07/2018	Year ended 31/07/2017
<b>Assets</b>		
Property, plant and equipment and intangibles	84 780	75 937
Other financial assets	59 683	67 189
Deferred income tax	7 613	1 718
Investment in associate	725	1 599
Total non current Assets	152 801	146 443
Inventories	191 272	195 099
Loans and advances	587 538	517 399
Other current assets	33 002	40 845
Cash and Bank	133 121	136 049
Total current Assets	944 933	889 392
<b>Total</b>	<b>I 097 734</b>	<b>I 035 835</b>
<b>Equity and Liabilities</b>		
Share capital and reserves	776 080	705 274
Borrowings	164 997	180 402
Deferred income tax	25 329	21 989
Total non current liabilities	190 326	202 391
Trade and other payables	83 680	73 170
Borrowings	15 293	26 148
Other current liabilities	32 355	28 852
Total current liabilities	131 328	128 170
<b>Total</b>	<b>I 097 734</b>	<b>I 035 835</b>

## ANNEXURE I:

### ABRIDGED FINANCIAL INFORMATION OF FURNMART FOR THE YEAR ENDED 31 JULY 2018

(All amounts in Pula '000)

#### Abridged Consolidated Statement of Cash flows

	Year ended 31/07/2018	Year ended 31/07/2017
<b>Operating activities</b>		
Cash generated from operations	138 389	165 230
Net tax paid	(41 779)	(41 960)
<b>Investing Activities</b>		
Purchase of property, plant and equipment and intangibles	(32 112)	(15 114)
Amount received from associate	1 080	-
Other Investments	7 506	(2 453)
Interest received	2 455	1 369
<b>Financing activities</b>		
Interest paid	(17 204)	(22 978)
Net movement in borrowings	(26 260)	(21 957)
Dividends paid	(34 507)	(7 884)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(2 432)</b>	<b>54 253</b>
Cash and cash equivalents at the beginning of the year	136 049	79 560
Exchange rate movement on conversion of foreign subsidiaries	(496)	2 236
<b>Cash and cash equivalents at the end of the year</b>	<b>133 121</b>	<b>136 049</b>

#### Abridged Consolidated Statement of Changes in Equity

	Stated capital	Foreign currency translation reserve	Retained earnings	Total
<b>Balance as at 01 August 2016</b>	<b>198 899</b>	<b>(26 306)</b>	<b>472 333</b>	<b>644 926</b>
Dividends declared and paid - interim 2017	-	-	(7 884)	(7 884)
Total comprehensive income	-	3 675	64 557	68 232
<b>Balance as at 31 July 2017</b>	<b>198 899</b>	<b>(22 631)</b>	<b>529 006</b>	<b>705 274</b>
Dividends declared and paid - final 2017			(13 645)	(13 645)
Dividends declared and paid - interim 2018			(20 862)	(20 862)
Total comprehensive income		(2 627)	107 940	105 313
<b>Balance as at 31 July 2018</b>	<b>198 899</b>	<b>(25 258)</b>	<b>602 439</b>	<b>776 080</b>

## **ANNEXURE 2:**

### **INDEPENDENT EXPERTS FAIR AND REASONABLE OPINION**



**15 October 2018**

#### **The Directors**

Furnmart Limited  
Plot 20573/4, Magochanyama Road,  
Gaborone, Botswana

**Dear Sirs,**

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### **INDEPENDENT FAIR AND REASONABLE OPINION IN RESPECT OF THE OFFER BY FURNMART LIMITED TO THE MINORITY SHAREHOLDERS OF FURNMART LIMITED**

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#### **I INTRODUCTION**

##### **(a) Background**

Furnmart Limited ("Furnmart" or "the Company") is seeking a delisting of Furnmart from the Botswana Stock Exchange ("BSE") ("Delisting"). Pursuant to the Delisting, the Company is proposing to repurchase its own ordinary issued shares from shareholders ("the Offer"). The Offer will allow for an exit for those Furnmart shareholders who do not wish to remain as shareholders in an unlisted entity as well as those shareholders who have been seeking to realise their investment in Furnmart.

An Extraordinary General Meeting will be held in December 2018 whereby Furnmart shareholders will vote on the Delisting. The two majority shareholders, SG Kleinwort Hambros Trust Company (CI) Limited as Trustee of The Marula Trust and Scotstrail Inc, who have a combined shareholding of 71.85%, have provided irrevocable undertakings that they will (a) vote in favour of the ordinary resolutions relating to the Delisting and Offer and (b) will not participate in the Offer.

The Offer is therefore being made to the minority shareholders ("Minority Shareholders").

Imara Botswana Limited ("Imara") has been mandated by the board of directors of Furnmart ("the Board") to give its independent opinion as to the fairness and reasonableness of the price consideration being offered to the Minority Shareholders of Furnmart of BWP0.65 ("Offer Price").

##### **(b) Applicable Botswana Stock Exchange Rules**

This opinion has been prepared in accordance with Schedule 5 of the BSE Listing Requirements

##### **(c) Limiting Conditions**

###### **Completeness and Accuracy of Information**

Imara has prepared this opinion in good faith and has relied on the accuracy and veracity of the information made available to it during its correspondence with the Directors and Management of Furnmart. Whilst Imara has no reason to doubt the accuracy or veracity of such information supplied, Imara accepts no responsibility whatsoever for the accuracy or veracity of such information.

## **ANNEXURE 2:**

### **INDEPENDENT EXPERTS FAIR AND REASONABLE OPINION**

#### **Economic, Market and Other Conditions**

Imara has based its opinion on economic, market and other conditions prevailing on or about 15 October 2018. It should be noted that subsequent events may inevitably affect this opinion and that Imara is not under any obligation to update, revise or re-affirm its opinion should any such developments transpire.

Specifically, but without limiting the generality of the foregoing, such subsequent events may include material changes consequent upon changes in economic, market and other conditions, or the business of, or prospects of Furnmart between the effective date of this opinion and the date of any subsequent consideration hereof.

#### **Purpose of Valuation Opinion**

This valuation opinion is rendered solely as an expert opinion in order to determine the fairness and reasonableness of the Offer to be made to Minority Shareholders of Furnmart as provided for in terms of Schedule 5 of the BSE Requirements, and for no other purpose whatsoever.

#### **Representations and Warranties**

Imara makes no representation or warranty, express or implied, nor shall have any responsibility or liability whatsoever in respect of any statement, information or opinion contained or relied on herein, whether orally or in writing, or any omissions, or in respect of the completeness and/or accuracy of any such statement, information or opinion.

This opinion does not constitute, nor does it include, an audit conducted in accordance with generally accepted auditing standards. Consequently, such information cannot be relied upon to the same extent as that derived from audited financial statements for completed accounting periods. On the basis of these enquiries and such other procedures as Imara considers appropriate to the circumstances, Imara believes that the information provided has been prepared with due care and consideration.

Where projections with respect to the financial performance of Furnmart, any of its operating subsidiaries have been included or relied upon, they have been so for illustrative purposes only, and could reflect various assumptions that may subsequently prove to be incorrect, inaccurate or unrealistic.

#### **(d) Independence**

Imara is a wholly owned subsidiary of Imara Holdings Limited ("IHL"), an independent, diversified financial services company incorporated in Botswana.

Imara conducts its business in Botswana and the rest of Sub Sahara Africa as a corporate finance advisor. Save for the fees payable to Imara for providing this opinion, which fees are payable irrespective of the outcome of the Offer to Minority Shareholders, Imara has no interest, direct or indirect, beneficial or non-beneficial, in Furnmart or any of their subsidiaries. Imara is therefore able to express opinions, exercise judgment and make decisions impartially;

## **ANNEXURE 2:**

### **INDEPENDENT EXPERTS FAIR AND REASONABLE OPINION**

## **2 PROCEDURES**

### **(a) Information and Sources of Information**

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In arriving at our opinion, we have considered, inter alia the following:

- i) Furnmart is currently listed on the BSE and has received irrevocable commitments from shareholders representing 71.85% of the outstanding share capital that they will vote in favour of the ordinary resolutions relating to the Delisting and Offer;
- ii) Given the irrevocables received, the ordinary resolutions at the EGM will be passed which will result in the Delisting;
- iii) Audited annual financial statements for Furnmart and its operating subsidiaries for the years ended 31 July 2017, 2016 and 2015, and draft audited annual financial statements for Furnmart and its operating subsidiaries for the year ended 31 July 2018;
- iv) Management accounts for Furnmart and its operating subsidiaries for the month ending 31 August 2018;
- v) Management forecasts for Furnmart and its operating subsidiaries for the year ending 31 July 2019;
- vi) Management's business plan projections for Furnmart and its operating subsidiaries for the years ending 31 July 2020, 2021, 2022 and 2023;
- vii) BSE market report as at 15 October 2018 reflecting prices of listed equity investments;
- viii) Furnmart's historic dividend policy, and dividends projected by Management;
- ix) The historic performance of Furnmart on the BSE in terms of share price and volume of shares traded;
- x) Furnmart's cash resources, and debt obligations over the next 12-months;
- xi) Valuation assumptions and multiples
  - o Risk-free rates as determined from yields on government instruments as supplied by the central banks of countries where Furnmart operates;
  - o Market risk-premia from international benchmarks for country specific default spreads and equity risk premiums compiled by Professor Damodaran, Stern School of Business, New York University;
  - o Valuation assumptions and multiples obtained from individual company financial statements, Thompson Reuters and Stern School of Business, New York University;
- xii) Discussions and correspondence with Furnmart management regarding the current and expected trading of Furnmart; and
- xiii) Current trading, future prospects and market dynamics in the sectors and markets in which Furnmart operates.

## **ANNEXURE 2:**

### **INDEPENDENT EXPERTS FAIR AND REASONABLE OPINION**

#### **(b) Background to the Offer**

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The Board is proposing an offer by the Company to repurchase all the ordinary issued shares from its shareholders. The two majority shareholders, SG Kleinwort Hambros Trust Company (CI) Limited as Trustee of The Marula Trust and Scotstrail Inc, have provided irrevocable undertakings that they will not participate in the Offer and as such, the offer is being made to Minority Shareholders only. The rationale for the Offer is to provide Minority Shareholders the ability to sell their Furnmart shares and realise their investment in the Company.

The Board is also proposing the delisting of Furnmart from the BSE. The rationale for the Delisting includes:

- The Company will not meet the 30% minimum free float requirements of the new BSE Listing Requirements which will come into effect in January 2019;
- The Company suffers severe illiquidity, in the 12 months to 5 October 2018 only 0.18% of the issued share capital traded, with an aggregate value of only BWP591,831;
- As the only listed company operating in its sector, the public disclosure requirements negatively impacts Furnmart's competitive position; and
- Steady decrease in the share price over the last five years, from a high of BWP2.30 to the current share price of BWP0.55, indicates decreasing investor sentiment about Furnmart and the overall industry.

The Offer Price is BWP0.65 per ordinary share. This represents a premium of:

- 18% to the current Furnmart share price of BWP0.55,
- 20% to the 90-day volume weighted average share price of BWP0.54;
- 20% to the 1-year weighted average share price of BWP0.54
- 18% to the 1-year high share price of BWP0.55

#### **(c) Valuation**

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In order to assess the fairness and reasonableness of the Offer Price being offered to Minority Shareholders, Imara performed an independent valuation of Furnmart and its respective operating subsidiaries as at 15 October 2018. Following confirmation from management of Furnmart that there have been no material changes in the business since the date, Imara believes its valuation as at 15 October 2018 is still current and valid.

In performing independent valuations, Imara confirms that it has carried out the following:

- i) Valuation of Furnmart using the Discounted Cash Flow ("DCF") Methodology.
  - DCF valuation methodology is the most widely-used valuation methodology, and computes the value of a business by calculating the present value of the future cash flows the business expects to generate.
  - Future cash flows generated by the business otherwise known as free cash flow is calculated by subtracting projected capital expenditure from the cash generated from operating activities, and is discounted at the Weighted Average Cost of Capital ("WACC").
  - DCF was also applied to projected dividend income, discounted at the Cost of Equity.
  - DCF models are typically highly sensitive to the discount rate (cost of equity or WACC) applied, as well as the derived terminal growth rate, which in turn affects the company's terminal value.

## **ANNEXURE 2:**

### **INDEPENDENT EXPERTS FAIR AND REASONABLE OPINION**

- ii) Valuation of Furnmart using the Market Approach, also known as the Relative Valuation Methodology.
  - The Market Approach makes use of earnings and asset-based multiples from comparable companies listed on the BSE, Johannesburg Stock Exchange and Zimbabwe Stock Exchange.
  - We have also considered valuation and asset-based multiples of companies listed on the BSE which may not be directly comparable but experience similar market dynamics.
  
- iii) Valuation of Furnmart using the Dividend Discount Model
  - This methodology values a share based on the sum of all of its forecast future dividend payments, discounted back to their present value.
  - Whilst Furnmart has paid relatively high dividends in the past, future dividends will be determined by the Board after considering the prevailing market at the time and the capital requirements of the Company.
  - There is no certainty that the historic dividend policy will be maintained in the future.
  
- iv) The key internal and external value drivers and assumptions that were used in deriving appropriate values for the businesses of Furnmart are as follows:
  - The financial performance of Furnmart and its subsidiaries over the four years ended 31 July 2018, 2017, 2016 and 2015 as applicable;
  - The financial performance of Furnmart and its subsidiaries for the month ended August 2018;
  - The long-term economic prospects of the countries in which Furnmart and its subsidiaries operate, measured by forecasted GDP growth;
  - The projected financial performance of Furnmart and its operating subsidiaries as provided by management of the company for the period 31 July 2019 to 2023;
  - Prices of listed equity investments as at 15 October 2018;
  - Historic trading of Furnmart on the BSE;
  - Review of Furnmart's impairment and provisioning policy;
  - Management's growth plans in South Africa are expected to increase the Company's growth prospects however Furnmart's risk profile will increase as the relative stability of the Botswana and Namibia operations will be diluted.

#### **(d) Appropriateness And Reasonableness Of Information And Assumptions Used**

- In regard to the publicly available information and historical financial information on Furnmart, Imara is of the view that the information is reliable, and has made use of past Annual Reports;
- In regard to the information and historical financial information on Furnmart unlisted subsidiaries, Imara is of the view that the information is reliable, and has made use of the audited accounts provided management of Furnmart;
- In regard to the comparative information, Imara is satisfied that the data extracted from companies' financial statements, Thompson Reuters and Professor Damodaran, Stern School of Business, New York University is reasonable and appropriate; and
- Although Imara believes the information and forecasts provided by management of Furnmart were prepared with due care and consideration, and are reasonable in regard to previous performance and current market conditions, Imara has not audited any of the information and forecasts provided by the management.

## **ANNEXURE 2:**

### **INDEPENDENT EXPERTS FAIR AND REASONABLE OPINION**

#### **3 FAIR AND REASONABLE OPINION**

##### **(a) Definition of Fairness and Reasonableness**

---

The “fairness” of the Offer is primarily based on quantitative issues. The Offer may be said to be fair if the Offer Price is equal to or greater than the underlying fair value price per share of Furnmart.

The “reasonableness” of the Offer is based on qualitative issues, including but not limited to the prevailing trading price of a Furnmart share on the BSE, the liquidity of Furnmart shares and the long-term prospects for the Company. Hence, the Offer may be considered to be reasonable, even if the Offer Price is below the fair value per share of Furnmart, due to the lack of liquidity on the BSE and the inability for Minority Shareholders to sell their Furnmart shares.

##### **(b) Summary**

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Based upon and subject to the foregoing, Imara is of the opinion that the Offer Price of BWP0.65 per ordinary share being offered to the Minority Shareholders of Furnmart is not fair, but is reasonable.

The salient reasons for the opinion are as follows:

- i) The Offer Price is not fair in that:
  - It falls below, and represents a discount to, Imara’s fair-valuation range for Furnmart.
  - Furnmart has lost 76% of its peak market value from 27 August 2014 to 15 October 2018, the second largest loss for a domestic company on the BSE over the period. Over the same period EBITDA, profit after tax, dividends and shareholder’s equity increased, enhancing Furnmart’s relative value compared to regional and BSE peers.
  
- ii) The Offer Price is reasonable in that:
  - Furnmart’s price drop since September 2014 occurred amidst low trading activity, implying significant sell-pressure.
  - The total number of Furnmart shares traded on the BSE over the last 12 months to 15 October 2018 was 1,090,931 which represents 0.18% of the total issued share capital and is an indication of the severe illiquidity of the Furnmart share price. The Offer allows Minority Shareholders the opportunity to sell their Furnmart shares in an otherwise illiquid stock.
  - In the absence of a competing offer, and in the likelihood that the Delisting resolution will be passed, the Offer provides Minority Shareholders with the opportunity to realise their investment in Furnmart at a premium to the current share price. The alternative to Minority Shareholders is to remain in an unlisted company.
  - The offer price of BWP 0.65 is at a 18% premium to the current share price and the 1-year high share price and at a 20% premium to both the 90-day and 1-year volume weighted average price.
  - All Minority Shareholders are treated equally and without discrimination. No minority Shareholders are being forced to sell their Furnmart shares and can elect to remain as a shareholder in an unlisted company.
  - No Minority Shareholder has enjoyed any unfair advantage in terms of the Offer.

## **ANNEXURE 2:**

### **INDEPENDENT EXPERTS FAIR AND REASONABLE OPINION**

#### **(c) Significant Factors and Key Considerations**

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The following are the significant factors and key considerations taken into account in arriving at our opinion:

- i) The DCF valuation methodology remains the most appropriate and well-accepted approach to determining the valuation of a company as it is based on the company's fundamentals.
- ii) The market approach for determining the valuation of a company is based upon viewing and comparing current conditions amongst fairly comparable business entities that are listed on appropriate exchanges. The financial attributes of these comparable companies and their trading prices and financial performance can serve as strong indicators of fair market value of the subject company.
- iii) We note the heightened macroeconomic-risk and increased credit regulation in the Company's key markets, and the potential volatility in financial performance arising from increased exposure to the South African market.
- iv) The prevailing economic climate in the countries where Furnmart operates is negative with limited growth prospects combined with increasing competition both in the retail and microfinance industries.
- v) SG Kleinwort Hambros Trust Company (CI) Limited as Trustee of The Marula Trust and Scotstrail Inc, who collectively represent a shareholding of 71.85%, have indicated that they intend to vote in favour of the Delisting. With the Delisting likely, Minority Shareholders will have limited opportunities to sell Furnmart shares in the future, but would be entitled to receiving dividends. The Offer provides an exit opportunity at a premium to the market price for investors considering a liquidity-event.

Imara has based this opinion on the state of the market and the trading conditions and circumstances of Furnmart as at 15 October 2018. Shareholders should note that subsequent developments may affect this opinion, but Imara is under no obligation to update, revise or re-affirm this opinion should any such developments transpire.

#### **(d) Independent Advice**

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Note that this opinion is not a recommendation to any shareholder of Furnmart as to the manner in which they should vote, nor is it advice given on the appropriate course of action for such directors or shareholders to take.

The reader's attention is drawn to the fact that this opinion does not purport to contain all of the information required for an investment or disposal decision, and any such investment or disposal decision should only be made after careful consideration of the financial and business prospects for Furnmart. Shareholders should consult with their own independent financial advisors if in any doubt as to what action to take.

**ANNEXURE 2:**  
INDEPENDENT EXPERTS FAIR AND REASONABLE OPINION

**(e) Independent Expert Details**

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The Independent expert is Imara Botswana Limited.

Contact details are as follows:

Physical Address	2nd Floor, Unit 6 Morojwa House, Plot 74770, Western Commercial Road, CBD Gaborone, Botswana
Postal Address	P Bag 00186, Gaborone, Botswana
Telephone	+267 3188710
Fax	+267 3191767
Web site	www.imara.com
Authorised Signatory	Jayne Backhouse

Yours Faithfully



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**Jayne Backhouse**

For an on behalf of Imara Botswana Limited



**ANNEXURE 3:**  
**NOTICE OF EXTRAORDINARY GENERAL MEETING**



(Incorporated in the Republic of Botswana on 1 March 1974)  
(Company number 1596)  
(**"Furnmart"** or the **"Company"**)

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

Notice is hereby given of an extraordinary general meeting of Shareholders of Furnmart Limited to be held on 11 December 2018 at 08h00 in the Training Room, Furnmart Head Office, Plot 20573/4, Block 3, Gaborone; for the following business:

To consider and if thought fit approve with or without amendment the following resolutions (it being recorded that the defined terms used herein shall have the same meaning as in the Circular to which this notice is attached) be passed:

1. As an Ordinary Resolution:

"That the Issued Shares of the Company be de-listed from quotation and trading on the Botswana Stock Exchange".

2. Subject to the passing of resolution 1 above, as an Ordinary Resolution:

"The Company is hereby authorised to repurchase its own Shares in the Company from Qualifying Shareholders who elect to sell their shares and accept the Offer; for the Offer Consideration of BWP 0.65 per Share in cash."

A Shareholder entitled to attend and vote may complete the Form of Proxy enclosed as Annexure 4 to the Circular or such other proxy as may be accepted in terms of the notes to the Form of Proxy, to appoint a proxy and/or representative to attend and vote for him/her on his/her behalf, and such proxy or representative need not also be a Shareholder of the Company. The instrument appointing such a proxy must be deposited with DPS Consulting Services (Pty) Limited at Plot 50371, Fairgrounds Office Park, Gaborone, if by post to PO Box 1453, Gaborone, if by fax to +267 3973901, to be received not later than 24 hours before the meeting i.e. 08h00 on the 10 December 2018.

By Order of the Board  
Furnmart Limited



**ANNEXURE 4:**  
FORM OF PROXY



(Incorporated in the Republic of Botswana on 1 March 1974)  
(Company number 1596)  
("Furnmart" or the "Company")

For the Extraordinary General Meeting Shareholders to be held on 11 December 2018 at 08h00, in the Training Room, Furnmart Head Office, Plot 20573/4, Block 3, Gaborone.

I/WE.....of..... holding ..... shares in the Company, a member/ members of the above named Company do hereby appoint: .....of ..... or failing that person, the Chairman of the meeting as my/our proxy to vote for me / us on my / our behalf at the Extraordinary General Meeting detailed above.

	Number of Shares:		
	For	Against	Abstain
<b>I. Ordinary Resolution</b>			
<i>"That the Issued Shares of the Company be de-listed from quotation and trading on the Botswana Stock Exchange".</i>			
Subject to resolution (1) above being passed:			
<b>2.Ordinary Resolution</b>			
<i>"The Company is hereby authorised to repurchase its own Shares in the Company from Qualifying Shareholders who elect to sell their Shares and accept the Offer, for the Offer Consideration of BWP0.65 per Share in cash."</i>			

Signed this.....day of.....2018

Unless otherwise instructed, the proxy will vote as he / she deems fit.

Full names: .....

Signature: .....

Assisted by Guardian (where necessary): .....

In the case of a representative: .....

Name: .....

Capacity: .....

Signature:.....

A member entitled to attend and vote may appoint a proxy to attend and vote for him / her on his / her behalf and such proxy need not also be a shareholder of the Company. The instrument appointing such a proxy must be deposited with DPS Consulting Services (Pty) Limited, if by hand to Plot 50371 Fairground Office Park, if by post to PO Box 1453, Gaborone, if by fax to +267 3973901, not later than 24 hours before the meeting i.e. by 08h00 on the 10 December 2018.

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

## **ANNEXURE 4:**

### **FORM OF PROXY**

#### **NOTES:**

1. All voting shall be by poll, so that every holder of an Ordinary Share in the Company present in person or by representative or by proxy and voting has one vote in respect of every Ordinary Share held.
2. Shareholders present in person, or by representative or by proxy and voting, shall cast their votes by signifying individually their assent or dissent, or as applicable their abstention, as directed by the Chairman by a show of hands, or by ballot.
3. The Chairman of the Meeting may reject or, provided that the Chairman is satisfied as to the manner in which a Shareholder wishes to vote, accept any form of proxy or evidence of authority to act as representative, in his absolute discretion, which is completed or delivered other than in accordance specified herein or the Notes to the Form of Proxy. Any Form of Proxy which is duly completed in accordance herewith and the Notes to the Proxy Form shall be accepted.
4. A Shareholder may insert the name of a proxy of the member's choice in the space/s provided in the overleaf. Should this space be left blank, the proxy will be exercised by the Chairman. The person whose name appears first in the list of names which has not been deleted on the Form of Proxy and who is present at the EGM will be entitled to act as proxy to the exclusion of those whose names follow.
5. A Shareholder's voting instructions to the proxy must be indicated by the insertion of an "X", or the number of votes exercisable by that Shareholder, in the appropriate spaces provided overleaf. Failure to do so will be deemed to authorise the proxy to vote or to abstain from voting at the EGM, as he/she thinks fit in respect of all the Shareholder's exercisable votes. A Shareholder or his/her proxy is not obliged to use all the votes exercisable by him/her or by his/her proxy, but the total number of votes cast, or those in respect of which abstention is recorded, may not exceed the total number of votes exercisable by the Shareholder or by his/her proxy.
6. The proxy shall be valid in respect of the meeting and any adjournment or postponement thereof.
7. The proxy and/or representative shall have the power to attend at any adjournment of the meeting and to vote on any amendment to any of the resolutions which may be proposed at the meeting.
8. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Transfer Secretaries.
9. To be valid, the completed forms of proxy must be lodged with DPS Consulting Services (Pty) Limited, if by hand to Plot 50371 Fairground office Park, Gaborone, if by post to PO Box 1453, Gaborone, if by fax to +267 3973901, not later than 24 hours before the meeting i.e. by 08h00 on the 10 December 2018.
10. A copy of the power of attorney or other authority establishing the authority of a person signing this Form of Proxy in a representative capacity, must be attached to this Form of Proxy unless previously recorded by the Transfer Secretaries or waived by the Chairman of the EGM.
11. The completion and lodging of this Form of Proxy will not preclude the relevant Shareholder from attending the EGM and speaking and voting in person there, to the exclusion of any proxy appointed in terms hereof, should such Shareholder wish to do so.
12. The completion of any blank spaces overleaf need not be initialled. Any alterations or corrections to this Form of Proxy must be initialled by the signatory/ies.
13. A vote given in accordance this Form of Proxy shall be valid notwithstanding the previous legal incapacity of the principal or revocation of the Form of Proxy or the transfer of the Share in respect of which the vote is given, unless an intimation in writing of such legal incapacity or transfer shall have been lodged with DPS Consulting Services (Pty) Limited if by hand to Plot 50371 Fairground Office Park, Gaborone, if by post to PO Box 1453, Gaborone to be received by them by not later than 08h00 on 10 December 2018.

**ANNEXURE 5:  
FORM OF ELECTION**



(Incorporated in the Republic of Botswana on 1 March 1974)  
(Company number 1596)  
("Furnmart" or the "Company")

This document is important and applies to Shareholders of Furnmart Limited election to accept the Offer.  
If you are in any doubt about how to complete this form, please consult your professional advisor immediately.

**Instructions:**

1. A separate form is required for each Shareholder.
2. All details on this form must be completed.

No receipts will be issued for documents of title lodged unless specifically requested. Lodging stockbrokers and/or agents are required to prepare special transaction receipts, if required.

**PART A**

3. We / I am the holder of ..... Shares in the Company. We / I elect to sell such Shares.
4. We / I hereby accept the Offer by the Company to purchase such Shares on the terms and conditions contained in the Circular to Shareholders of 30 October 2018, to which this Form is attached and forms a part. All definitions, and terms used in this Form shall, unless the context otherwise requires, have the corresponding meaning and interpretation attributed to them in the Circular.
5. I / We by accepting the Offer, hereby irrevocably instruct the Transfer Agent and Central Securities Depository to cancel my/our holding of Shares in the physical and electronic registers, upon proof of payment of the Offer Consideration to me as envisaged below.

Surname: \_\_\_\_\_ Name of Company/Fund \_\_\_\_\_

First names (in full) \_\_\_\_\_ Registration No. \_\_\_\_\_

Title (Mr, Mrs, Miss, Ms etc.) \_\_\_\_\_

6. The Address to which the Offer Consideration, to which I/We as a Shareholder is/are entitled to in terms of the Offer, if payable by cheque should be sent, is our/my address as reflected on the records of the CSDB or Transfer Secretaries.
7. The Bank account to which the Offer Consideration to which I/We as Shareholder is/are entitled to in terms of the Offer, if made by interbank transfer, should be credited is our/my bank account as reflected on the records of the CSDB or Transfer Secretaries.
8. I/We appoint the following Bank account (which is not presently recorded with the Company or is different to that recorded with the Company).

Name of Bank:
Name of the Branch:
Branch Code:
A/C No.
Swift Code:
IBan No.

I/We understand I/we must submit acceptable proof in respect of the existence and ownership of that bank account to the Company, before payment will be made to it.

9. The Offer Consideration will be posted or transferred on the Settlement Date to the account or address on file with the Transfer Secretaries or CSDB as applicable, or, subject to proof referred to in Paragraph 8, to the Bank account referred to in Paragraph 8 provided that the form of acceptance, of surrender and transfer, or share certificate and other relevant documents of title were received by the Transfer Agent on or before the Closing Date.

10. I/We hereby certify that:

1. I/We own the Shares issued by the Company as detailed in the table set out above hereinafter referred to as "the Shares";
2. The Shares are in registered form;
3. I/We are the legal owner solely entitled to the Shares and have the power to dispose of the Shares; there are no pre-emption rights nor any other right by virtue of which any person or entity with or without any action by such person, may be entitled to demand that one or more of the Shares be transferred to it or him;
4. None of the Shares are encumbered with any pledge or usufruct, and there is no right in favour of any person to acquire any pledge or usufruct of the Shares and none of the Shares are subject of any attachment; and
5. The Shares are freely transferable.

11. Dispatch of a cheque to our/my registered address or payment to the bank account referred to in paragraphs 7 or 8 shall be in complete discharge of the obligation of the Company to pay the Offer Consideration to us/me.

12. I/We acknowledge that (i) this election and acceptance of the Offer must be lodged, prior to the Closing Date of the Offer, and (ii) in accepting the Offer We/I acknowledge that against dispatch or a cheque or transfer of the Offer Price to us/me as envisaged in the Circular; the Shares held by us/me shall be deemed surrendered to the Company for cancellation and we/I will be bound by the terms thereof as set out in the Circular and (iii) the acceptance of the Offer is irrevocable, unconditional and not capable of being withdrawn

DATED AT \_\_\_\_\_ THIS \_\_\_\_\_ DAY OF \_\_\_\_\_ 201 \_\_\_\_\_  
Name: \_\_\_\_\_ Email: \_\_\_\_\_  
Address: \_\_\_\_\_ Telephone No: \_\_\_\_\_  
Capacity: \_\_\_\_\_ Cell No. \_\_\_\_\_

\_\_\_\_\_  
Signature

As of the Settlement Date, all Shares the subject of an election to sell and acceptance of the Offer, shall be cancelled, and be of no value in respect of voting, dividend, and distribution.

**PART B**

1. I / We am/ are the owner of .....Shares.
2. I / We hereby elect not to sell my / our Shares.
3. I / We acknowledge that I/we understand the effect of delisting, and that as from 10 January 2019 the Company:-
  - (i) will be a public entity, without quotation and trading of its Issued Shares on the BSE;
  - (ii) will not be obliged to comply with the Listings Requirements of the BSE;
  - (iii) will be required to comply with the Financial Reporting Act;
  - (iv) our rights will be those provided for by applicable provisions in the Companies Act and the Constitution and I/ We will be bound as shareholder in a public company, to the applicable provisions of the Companies Act and the Constitution and;
  - (v) in the event, that the number of shareholders is reduced below the permitted number for a public company, I/We will be bound as a shareholder in a private company.

DATED AT \_\_\_\_\_ THIS \_\_\_\_\_ DAY OF \_\_\_\_\_ 201 \_\_\_\_\_  
Name: \_\_\_\_\_ Email: \_\_\_\_\_  
Address: \_\_\_\_\_ Telephone No: \_\_\_\_\_  
Capacity: \_\_\_\_\_ Cell No. \_\_\_\_\_

\_\_\_\_\_  
Signature



