

CPN - Capricorn - Pro Forma Financial Effects and Withdrawal of Cautionary 7 Feb 2012

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CAPRICORN INVESTMENT HOLDINGS LIMITED

(formerly Cenmag Holdings Limited)

(Registration Number 1987/004821/06)

("Capricorn" or "the company")

Share code: CPN ISIN: ZAE000149951

PRO FORMA FINANCIAL EFFECTS AND WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT INTRODUCTION

Shareholders are referred to the cautionary announcements dated 22 June 2011, 3 August 2011 and 12 September 2011 as well as the detailed cautionary announcement on 15 December 2011 where shareholders were advised that a sale and purchase agreement had been agreed between the Company, Water Utilities Limited and Watermark Global PLC (together "Watermark") on 15 December 2011 regarding the acquisition of 100% of the shares in, and loan account claims against, Western Utilities Corporation (Proprietary) Limited ("WUC"), a wholly-owned subsidiary of Watermark for a purchase consideration of GBP4.50 million ("the Acquisition").

PRO FORMA FINANCIAL EFFECTS

The unaudited pro forma financial effects have been prepared to illustrate the impact of the Acquisition and the specific issue of 210 526 316 ordinary Capricorn shares for cash ("the Cash Share Issue") and the specific issue of up to 2 982 908 Capricorn ordinary shares in lieu of fees ("the Fee Share Issue" and collectively "Share Issues" and collectively "the Transactions") on the reviewed financial information of Capricorn for the six months ended 31 August 2011, had the Transactions occurred on 1 March 2011 for statement of comprehensive income purposes and on 31 August 2011 for statement of financial position purposes.

The pro forma financial effects have been prepared using accounting policies that comply with IFRS and that are consistent with those applied in the audited results of Capricorn for the year ended 28 February 2011.

The unaudited pro forma financial effects set out below are the responsibility of Capricorn's directors and have been prepared for illustrative purposes only and because of their nature may not fairly present the financial position, changes in equity, the results of operations or cash flows of Capricorn after the Transactions.

	Before ¹	After the Acquisition 2,3	After the Transaction 4,5	%change
	(cents per share)	(cents per share)	(cents per share)	(%)
Basic earnings per share (cents)	0.07	(2.61)	(1.39)	(2197%)
Headline (loss)/earnings per share (cents)	0.05	(2.61)	(1.40)	(2778%)
Net asset value per share	9.48	(9.45)	3.53	(63%)
Net Tangible asset per share	9.48	(31.32)	(8.18)	(186%)
Total number of 274 shares in issue	59 886 020	243 951 999	455 695	661%
Weighted number of 274 shares in issue	59 886 020	243 951 999	455 695	661%

Notes:

1. The "Before" basic earnings and headline earnings per share have been extracted without adjustment from the reviewed, published, condensed SENS Article results of Capricorn for the six months ended 31 August 2011. The "Before" net asset value and net tangible asset value per share have been calculated from the financial information presented in the reviewed, published, condensed results of Capricorn for the six months ended 31 August 2011.
2. The "After the Acquisition" earnings and headline earnings per share assume:
 - (a) The consolidation of WUC's income and expenditure, as extracted without adjustment from the reviewed results of WUC for the six months ended 30 June 2011;

- (b) The payment of estimated transaction costs amounting to R1 610 126, which have been allocated to the Acquisition and expensed in terms of IFRS 3: Business Combinations. This will not have a continuing effect on Capricorn's financial results;
- (c) The issue of 182 300 030 new Capricorn ordinary shares at 19 cents per share in part settlement of the purchase consideration of the Acquisition to Watermark; and
- (d) The issue of 1 765 948 new Capricorn ordinary shares at 19 cents per share in part settlement of the fees due to the sponsor and corporate adviser, in respect of the Acquisition.

3. The "After the Acquisition" net asset value and net tangible asset value per share assumes:

- (a) The Acquisition is a reverse acquisition in terms of IFRS 3: Business Combinations. Accordingly, Capricorn is regarded as the legal parent and accounting acquirer and WUC is regarded as the legal subsidiary company and the accounting acquirer. In accordance with this accounting treatment:
 - i. The identifiable assets and liabilities of Capricorn have been measured at fair-value;
 - ii. From a legal point of view Capricorn has obtained a 100% interest in WUC. However, from an accounting point of view Watermark has obtained a 74.7% interest in Capricorn (because Capricorn is issuing 182 300 030 new Capricorn ordinary shares to Watermark in part settlement of the purchase consideration relating to the Acquisition), with the remaining 25.3% interest in Capricorn being retained by Capricorn's shareholders. Because Watermark has, from an accounting perspective, obtained a 74.7% interest in and gained control of the legal acquirer, being Capricorn, it is necessary to calculate the fair-value of the consideration effectively transferred ("the Consideration Transferred"). The Consideration Transferred is effectively the fair-value of Capricorn as an entity. If the business combination had taken the form of WUC issuing additional ordinary shares to Capricorn's shareholders in exchange for their ordinary shares in Capricorn, WUC would have had to issue 34 new WUC ordinary shares $((100/0.747)-100)$ to Capricorn's shareholders, for the ratio of ownership interest in the combined entity to be the same. Watermark would then own 100 of the 134 issued shares in WUC, amounting to 74.7% of the combined entity. As a result, the Consideration Transferred by WUC to Capricorn's shareholders is the fair-value of the 34 new WUC shares issued to Capricorn to give Capricorn shareholders a 25.3% interest in the combined entity. The Consideration Transferred is required to be based on the most

reliable measure, and has been calculated using the quoted market price of Capricorn's shares of 19 cents per share, as this is considered to provide a more reliable basis for measuring the Consideration Transferred than the estimated fair value of WUC's shares and, therefore, the Consideration Transferred (in respect of the portion of the purchase consideration settled through the issue of 182 300 030 Capricorn ordinary shares) is 34 WUC shares multiplied by 19 cents per WUC share; and

iii. The raising of goodwill in respect of the reverse acquisition, which is measured as the excess of the fair-value of the consideration effectively transferred over the net amount of Capricorn's assets and liabilities at fair-value.

- (b) Raising of a current liability in respect of the cash portion of the purchase consideration of R23 407 594;
- (c) Raising of a current liability in respect of transaction costs of R1274 596, directly relating to the Acquisition;
- (d) The issue of 182 300 030 new Capricorn ordinary shares at 19 cents per share in part settlement of the purchase consideration of the Acquisition to Watermark; and
- (e) The issue of 1 765 948 new Capricorn ordinary shares at 19 cents per share in part settlement of the fees due to the sponsor and corporate adviser, in respect of the Acquisition.

4. The "After the Transactions" earnings and headline earnings per share assumes:

- (a) The adjustments as set out in 2(a) to (d) above;
- (b) The issue of 210 526 316 new Capricorn ordinary shares at 19 cents per share, in respect of the Cash Share Issue;
- (c) The issue of 1 216 960 new Capricorn ordinary shares at 19 cents per share in part settlement of the fees due to the sponsor and corporate adviser, in respect of the Cash Share Issue; and
- (d) No income benefit has been attributed to the cash received in respect of the Cash Share Issue, as the proceeds will be used for the Acquisition, the cash portion of the transaction costs and the remainder to fund working capital.

5. The "After the Transactions" net asset value and net tangible asset value per share assumes:

- (a) The adjustment set out in 3(a) to (e) above;
- (b) Payment of the cash portion of R23 407 594 in respect of the Acquisition;
- (c) Payment of the transaction costs of R1 274 596, directly relating to the Acquisition and R878 356, directly relating to the Cash Share Issue;
- (d) The raising of R40 000 000 through the issue of 210 526 316 new ordinary Capricorn shares at 19 cents per share, in respect of the Cash Share Issue;
- (e) The issue of 1 216 960 new Capricorn ordinary shares at 19 cents per share in part settlement of the fees due to the sponsor and corporate adviser, in respect of the Cash Share Issue; and
- (f) The deduction from equity of the estimated transaction costs of R1 109 579, directly attributable to the Cash Share Issue, accounted for in accordance with IAS 32: Financial Instruments.

6. The "After the Transactions" column is measured as a percentage of the "Before" column.

DOCUMENTATION AND SALIENT DATES

A circular to shareholders detailing the terms of the acquisition, incorporating revised listing particulars, will be distributed to shareholders within 28 days of this announcement.

Salient dates will be published in due course.

WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

Accordingly, given that the final terms and pro forma financial effects of the above-mentioned acquisition and reverse listing have been published, the cautionary announcement is withdrawn.

Johannesburg

7 February 2012

Sponsor

Arcay Moela Sponsors (Proprietary) Limited

(Registration number 2006/033725/07)

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