

VUN 201210120055A

Restructuring of the Group's Debt - Partial Sale of Assets by a Subsidiary

VUNANI LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1997/020641/06)
JSE code: VUN
ISIN: ZAE000163382
("Vunani" or "the Company" or "the Group")

RESTRUCTURING OF THE GROUP'S DEBT - PARTIAL SALE OF ASSETS BY A
SUBSIDIARY

1. BACKGROUND INFORMATION

In 2010 Vunani and Vunani Capital Proprietary Limited ("Vunani Capital") a wholly owned subsidiary of the Company, entered into a debt restructuring agreements with their major lenders. The debt restructuring agreements provided for a moratorium period on debt and interest payments allowing Vunani and Vunani Capital to settle a substantial portion of their respective debt obligations on a sustainable basis with their lenders. The moratorium period has ended and Vunani has agreed with its lenders to settle its remaining debt obligations through the proceeds derived from the disposal of its investment in Vunani Property Investment Fund Limited ("VPIF") (the "VPIF Investment").

Vunani Properties Proprietary Limited ("Vunani Properties"), a subsidiary of the Company owes an intercompany loan to Vunani Capital in the sum of R59 770 928.00, (the Intercompany Loan"). Vunani Properties holds 18 151 317 linked units in the issued linked share capital of VPIF equal to approximately 15% of the linked units in issue. The market value of the VPIF Investment based on its most recent closing price of R9.00 cents per linked issue is R163 361 862.

2. PROPOSED TRANSACTION

The shareholders of Vunani Properties have passed a resolution approving the sale and unbundling of the VPIF Investment, subject to regulatory approvals (the "VPIF Disposal"). The VPIF Disposal will be executed through a private placement by an investment bank. The proceeds from the VPIF Disposal will be utilised to repay loans in Vunani Properties, including the Intercompany Loan. The balance will be distributed to shareholders for purposes of settling the Group's remaining debt obligations with its lenders as contemplated in paragraph 1 above.

Vunani intends to apply the proceeds derived from the VPIF Disposal to reduce its debt obligations. This will result in a substantial portion of the Group's outstanding debt obligations being settled.

The respective boards of directors of Vunani and Vunani Properties have passed resolutions approving the proposed VPIF Disposal. The board of directors of Vunani has received an irrevocable undertaking from its majority shareholder, Vunani Group Proprietary Limited, approving the VPIF Disposal.

3. RATIONALE

The rationale for the proposed VPIF Disposal is the intended

settlement of loans in Vunani Properties including the Intercompany Loan and the substantial reduction of the Group's debt obligations.

4. EXECUTION OF THE TRANSACTION

An auction will be conducted by Investec Bank Limited. The auction has resulted in the private placement of 2 812 903 units to date. The trades will be executed as off market transactions (block trades) through two members of the JSE Limited and will settle on a T+5 basis through STRATE.

5. EFFECTIVE DATE

To date, the following VPIF units have been sold:

? 1 612 903 units were sold at 930 cents on 9 October 2012; and

? 1 200 000 units were sold at 900 cents on 11 October 2012.

The value of the VPIF Disposal to date is R25 799 978.

6. FINANCIAL EFFECTS

Statement of comprehensive income

The unaudited pro forma financial effects of the transaction, for which the directors are responsible, on earnings per share ("EPS"), diluted earnings per share ("DEPS"), headline earnings per share ("HEPS") and diluted headline earnings per share ("DHEPS") are provided for illustrative purposes only to show the effect of the transaction as if the transaction had taken effect on 1 January 2012. Because of their nature, the unaudited pro forma financial effects may not give a fair presentation of the group's financial position and performance. The unaudited pro forma financial effects have been compiled from the unaudited condensed consolidated results of the Company for the six months ended 30 June 2012 and are presented in a manner consistent with the format and accounting policies adopted by the Company and have been adjusted as described in the notes set out below:

	Notes	Unaudited Before the transaction	Pro forma After the transaction	% Change
Basic and diluted basic earnings per share (cents) ("EPS" and "DEPS")	1&2	14.2c	16.3	12.8%
Headline and diluted headline earnings per share (cents) ("HEPS" and "DHEPS")	1&2	19.3	21.8	13.0%
Number of ordinary shares in issue at period end ('000) (net of treasury shares)	105 415	105 415	-	-
Weighted average number of shares in issue at period end ('000)	105 415	105 415	-	-

Notes:

1. The "unaudited before the transaction" column information has been extracted from the company's unaudited condensed consolidated results for the six months ended 30 June 2012.

2. The effects relating to the EPS, DEPS, HEPS and DEPS are based on the following assumptions and information:
 - 2.1 the transaction was effective 1 January 2012 at the price determined in terms of the auction as detailed in paragraphs 4 and 5 above (the "proceeds"). The difference between the proceeds and the fair value on the disposed units at 1 January 2012 has been processed as a fair value adjustment. The fair value of the units at 1 January 2012 was 720 cents per unit. The result of this adjustment (net of taxation and after non-controlling shareholders' interest) is an increase in profit attributable to equity holders of Vunani Limited of R3.7 million;
 - 2.2 The fair value adjustment to 30 June 2012 and related deferred taxation on the disposed units has been eliminated. The result of this adjustment (net of taxation and after non-controlling shareholders' interest) is a decrease in profit attributable to equity holders of Vunani Limited of R1.9 million;
 - 2.3 Distributions on the linked units of 27 cents per unit together with the tax effect thereon have been eliminated. The result of this adjustment (net of taxation and after non-controlling shareholders' interest) is a decrease in profit attributable to equity holders of Vunani Limited of R0.4 million;
 - 2.4 It has been assumed that the proceeds have been utilised to reduce funding in Vunani Properties with an average interest rate of 9.2% over the six month period. The result of this adjustment (net of taxation and after non-controlling shareholders' interest) is an increase in profit attributable to equity holders of Vunani Limited of R0.7 million

All adjustments will have a continuing effect.

Statement of financial position

In terms of the Listings Requirements, financial effects on the statement of financial position are not presented as they are not significant, being below 3%.

7. CLASSIFICATION OF THE TRANSACTION

Based on the value of the VPIF Disposal to date, the transaction is classified as a Category 2 transaction in terms of the JSE Limited Listings Requirements.

8. CAUTIONARY ANNOUNCEMENT

As the company will continue to dispose of further VPIF units as detailed in paragraph 2 above, and such disposals may have a material effect on the price at which Vunani shares trade, shareholders are therefore advised to exercise caution when dealing in Vunani shares until such time as a further

announcement is made.

12 October 2012
Sandton

Independent Designated Adviser
Grindrod Bank Limited

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