

VUNANI LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1997/020641/06)

JSE code: VUN

ISIN: ZAE000163382

("Vunani" or "the Vunani Group")

ACQUISITION BY VUNANI OF A FURTHER 30% SHAREHOLDING IN FAIRHEADS BENEFIT SERVICES PROPRIETARY LIMITED ("FAIRHEADS") THROUGH ITS HOLDING COMPANY MANDLALUX PROPRIETARY LIMITED ("MANDLALUX")

1. BACKGROUND INFORMATION

In May 2015 Vunani entered into a transaction with the senior management of Fairheads to acquire 100% of Fairheads through Mandlalux. Vunani currently has an effective interest of 62.5% in Mandlalux. In order to simplify the ownership structure of Fairheads and bring it under the full control of Vunani discussions were held between the relevant parties in early December 2016 and it was agreed in principle for Vunani to acquire the shares held by the senior management of Fairheads in Mandlalux. On 21 February 2017 legally binding agreements were entered into to enable Vunani to acquire a further 30% shareholding in Fairheads through Mandlalux ("the Transaction").

2. DESCRIPTION OF THE BUSINESS CONDUCTED BY MANDLALUX

Mandlalux is an investment holding company that holds two wholly owned subsidiaries, Fairheads International Holdings Proprietary Limited ("FIH") and Fairheads.

Fairheads is a provider of administration services to beneficiary funds and umbrella trusts for retirement funds and a registered pension funds administrator in terms of section 13B of the Pension Funds Act, 24 of 1956.

Beneficiary funds are typically funds established in order to retain and manage money due as a death benefit under a retirement fund. Administration services involves managing and administering these funds on behalf of the dependants of deceased retirement fund members.

3. RATIONALE FOR THE TRANSACTION

The acquisition of the 30% shareholding in Mandlalux will enable Vunani to control an effective 92.5% of Mandlalux and as a result of this Vunani shall be able to consolidate Mandlalux into its results. The investment in Mandlalux is currently accounted for as an investment in an associate in terms of IFRS.

Since the initial purchase of a shareholding in Mandlalux in 2015 a strong relationship has been established with the management of Fairheads and the Transaction will better align shareholding interests across the group as a whole.

4. THE TRANSACTION

The Transaction was entered into on 21 February 2017 through the conclusion of two separate sale of share agreements as set out below:

- A sale of shares agreement was entered into by Vunani, Mandlalux, Mandlamart Proprietary Limited ("Mandlamart"), Richard Krepelka, Marilyn Brown, Monica de Oliveira Vilabril and Giselle Gould ("the Fairheads Senior Management") to enable Vunani to acquire the Fairheads Senior Management's 28% shareholding of Mandlalux, in exchange for 10 464 647 Vunani ordinary shares, at a share price of 165 cents per share (being the Vunani price traded on or about 6 December 2016) , resulting in a total purchase consideration of R17 266 667; and
- A second sale of shares agreement was entered into by Vunani Capital Proprietary Limited ("Vunani Capital" a wholly owned subsidiary of Vunani), Mandlalux and Toni Clark to enable Vunani Capital to acquire Toni Clark's 2% shareholding of Mandlalux for a cash consideration of R1 000 000.

The Transaction contains legal warranties and indemnities which are considered normal in respect of a transaction of this nature.

5. FUNDING OF THE TRANSACTION

As set out in 4 above, a portion of the purchase consideration shall be funded by the issue of 10 464 647 Vunani shares at a price of 165 cents per shares. The shares shall be issued as an acquisition issue in terms of the general authority obtained at the last annual general meeting of Vunani.

The cash consideration of R1 000 000 shall be financed through Vunani's cash resources.

6. EFFECTIVE DATE

Subject to the condition precedent set out in 8 below the effective date of the Transaction shall be 1 January 2017.

7. NET ASSETS AND PROFITS OF MANDLALUX

The value of the net assets of Mandlalux which are the subject of the Transaction as at 31 December 2016 was R71.95 million. The profit after tax attributable to the net assets that are the subject of the Transaction for the 10 months to 31 December 2016 was R8.12 million.

The value of the net assets of Mandlalux and the profit after tax attributable to such net assets has been extracted from the results of Mandlalux for 10 months to 31 December 2016.

8. CONDITION PRECEDENT

The Transaction is subject to the JSE granting a listing of the Vunani shares to be issued to the Fairheads Senior Management, as set out in 4 above.

9. REVIEW OF MEMORANDUM OF INCORPORATION

The Memorandum of Incorporation of Mandlalux, has been reviewed as required by 9.16 of the JSE Listings Requirements and Vunani will ensure that none of its provisions will frustrate Vunani in any way from compliance with, nor relieve it from, its obligations in terms of the JSE Listings Requirements.

10. CLASSIFICATION OF THE TRANSACTION

The Transaction is classified as a Category 2 transaction in terms of the Listing Requirements of the JSE Limited ("Listings Requirements").

Sandton
22 February 2017

Corporate Adviser
Vunani Corporate Finance

Designated Adviser
Grindrod Bank Limited