

VUNANI LIMITED - Sale of business by a subsidiary 11 Nov 2013

VUN 201311110030A

Sale of business by a subsidiary and withdrawal of the cautionary announcement

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")

SALE OF BUSINESS BY A SUBSIDIARY AND WITHDRAWAL OF THE CAUTIONARY ANNOUNCEMENT

1. BACKGROUND INFORMATION

A Sale of Business Agreement, dated 9 November 2013, has been entered into between Vunani Property Asset Management Proprietary Limited ("VPAM"), a wholly owned subsidiary of Vunani Properties Proprietary Limited ("Vunani Properties"), which is a 78% owned subsidiary of Vunani, and Texton Property Investments Proprietary Limited ("the Purchaser") in terms of which VPAM will dispose of its business, including the cession and assignment of the Asset Management Agreement between Vunani Property Investment Fund Limited ("VPIF") and VPAM ("the Asset Management Agreement"), and the transfer of employment contracts to the Purchaser ("the Agreement") for a total cash amount of R117 million ("the Transaction").

1.1 Rationale for the Transaction

Vunani regularly reviews its portfolio of businesses with a view to enhancing the Group's strategy and growth prospects. Sometimes this translates into merger and acquisition transactions that complement existing activities. In the course of such discussions and engagements, Vunani received a proposal from the Purchaser regarding the sale of the business of VPAM. Having regard to the disposal consideration, the board considered it to be in the best interest of shareholders of the Company to enter into the Transaction. The Group is confident that, notwithstanding the Transaction, it has the experience and wherewithal to continue to find and invest in value accretive opportunities in the property and other sectors and that the Transaction will significantly enhance its prospects in the future.

1.2 Effective date

The Effective Date of the Transaction will be the date that the Agreement takes effect and becomes operative upon the fulfilment or waiver of the suspensive conditions.

1.3 Disposal consideration

The total cash consideration is R117 million ("Cash Consideration") which will be settled as follows:

- An initial payment of R102 million on the third business day following the Effective Date; and
- A deferred payment of R15 million on the first business day after the expiry of a 12 month period from the Effective Date, provided that any amount payable by VPAM to the Purchaser arising out of any breach of warranty or any other claim arising out of the Agreement shall be deducted from this amount subject to a maximum aggregate deduction of R9 million. This deferred payment will not bear interest unless the Purchaser fails to settle the amount due on time.

1.4 Suspensive conditions

The Agreement is subject, inter alia, to:

- the written consent of the board of directors of VPIF for the cession and assignment of The Asset Management Agreement;
- shareholders of Vunani approving the Transaction at a general meeting;
- VPIF unitholders approving the cession and assignment of the Asset Management Agreement at a general meeting; and
- approval as required in terms of the Competition Act (No 89 of 1998), as amended.

In terms of the Agreement, the suspensive conditions must be fulfilled or waived on or

before 28 February 2014 or such later date as agreed on by all the parties.

1.5 Information relating to VPAM

VPAM is a wholly-owned subsidiary of Vunani Properties.

VPAM's sole business activity is the provision of property asset management services to VPIF in terms of the Asset Management Agreement.

The current directors of VPAM are EG Dube (Chairman), RF Kane (CEO), A Judin, B Khoza and PW Mackenzie.

Mr RF Kane has taken up a shareholding in Cozifor Proprietary Limited (which owns 100% of the Purchaser) through his family trust and has waived any direct or indirect rights to any dividend resulting from the disposal consideration of R117 million. Mr. Kane will remain as the CEO of VPIF.

In terms of the Transaction, the following full-time employees of VPAM will be transferred to the Purchaser: RF Kane, D Govender, M de Lange and P Bonga.

1.6 Information relating to Vunani Properties

Information relating to Vunani Properties is set out below:

Directors:	Address	Shareholders
NM Anderson	Vunani House	Vunani - 78%
EG Dube	151 Katherine Street,	Ludlow Trust - 10%
A Judin	Sandown	Eagle Trust - 12%
RF Kane		
BM Khoza		
PW Mackenzie		

1.7 Information relating to the Purchaser

Details relating to the Purchaser are set out below:

Registered name: Texton Property Investments Proprietary Limited

Legal form: A private company (Registration number 2004/029298/07), duly registered and incorporated with limited liability in accordance with the laws of the RSA.

Business address: 54 Bompas Road, Dunkeld West, Johannesburg

Directors: AN de Rauville, JPG de Rauville, DJ Tew, RF Kane, M de Lange, JA Legh, MJ van Heerden

Shareholder: 100% Cozifor Proprietary Limited

Shareholders of Cozifor Proprietary Limited are as follows:
25% Handful of Keys Proprietary Limited
20% Investec Bank Limited
17% Ludlow Trust (RF Kane)
15% JA Legh
15% Nooitgedacht Familie Trust
5% N&G Trust
3% M de Lange

The Purchaser represents a consortium of investors led by Angelique de Rauville, the Managing Director of Handful of Keys Proprietary Limited. Until April this year, she was employed by the Investec Group and headed up Investec's property investments business for 10 years for both the South African and United Kingdom operations.

1.8 Application of the disposal consideration

Immediately following the receipt of the disposal consideration the directors of VPAM and, in turn, Vunani Properties, have agreed to declare and pay a dividend, net of taxation and transaction costs, of the disposal consideration (the "net disposal consideration"). Vunani will receive 78/90

of the net disposal consideration, an amount of approximately R86.5 million. It is Vunani's intention to initially hold these funds in cash and utilise them to grow and further the prospects of the Group.

1.9 Irrevocable undertaking

Vunani Group Proprietary Limited, which has a 72.4% shareholding in the Company, has provided an irrevocable undertaking to vote in favour of the Transaction.

2 FINANCIAL EFFECTS

The unaudited pro forma financial effects of the Transaction, for which the directors are responsible, are provided for illustrative purposes only to show the effect thereof on the earnings per share ("EPS"), diluted earnings per share ("DEPS"), headline earnings per share ("HEPS") and diluted headline earnings per share ("DHEPS") as if it had taken effect on 1 January 2013 and on net asset value per share ("NAVPS") and net tangible asset value per share ("NTAVPS") as if it had taken effect on 30 June 2013. Because of their nature, the unaudited pro forma financial effects may not give a fair presentation of the Group's financial position subsequent to the Transaction. The unaudited pro forma financial effects have been compiled from the unaudited consolidated financial statements of Vunani for the six months ended 30 June 2013 and are presented in a manner consistent with the format and accounting policies adopted by Vunani and have been adjusted as described in the notes set out below:

	Note	Unaudited before the Transaction 30.6.2013	Unaudited pro forma after the Transaction	% change
EPS and DEPS (cents)	2	9.3	93.9	909.7
HEPS AND DHEPS (cents)	2	7.2	5.7	-20.8
NAVPS (cents)	3	201.8	283.5	40.5
NTAVPS (cents)	3	167.3	249.0	48.8
Number of ordinary shares in issue at period end (net of treasury shares) ('000)		105 415	105 415	
Weighted average number of shares in issue at period end ('000)		105 415	105 415	

Notes (all values shown in R'000):

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 2013.
2. The effects relating to the EPS, DEPS, HEPS and DHEPS are based on the following assumptions and information:
 - 2.1 The Transaction was effected on 1 January 2013.
 - 2.2 Net profit after taxation attributable to the sale of the business that is subject to the Transaction amounts to R1 578.
 - 2.3 Transaction costs estimated at R378 have been included in calculating the financial effects.
 - 2.4 The net effect on the statement of comprehensive income is an increase in total comprehensive income of R97 823. Of this amount, R84 949 is attributable to Vunani and R12 874 is attributable to non-controlling interests.
3. The effects relating to the NAVPS and NTAVPS are based on the following assumptions and information:
 - 3.1 The Transaction was effected on 30 June 2013.
 - 3.2 The net cash attributable to Vunani will be used to enhance the Group's cash reserves.
 - 3.3 A dividend of R11 598 will be paid to the non-controlling interest.
 - 3.4 The net increase in equity (after taking into account the Cash Consideration less Transaction costs, taxation and the dividend declared to the non-controlling interest) amounts to R87 808 of which R86 180 is attributable to Vunani and R1 623 to non-controlling interest.

The Transaction will have a continuing effect with the exception of the profit on the sale of the business and the Transaction costs.

3 WITHDRAWAL OF THE CAUTIONARY ANNOUNCEMENT

Having regard to the information set out above, the cautionary announcement is hereby withdrawn.

4 CIRCULAR TO SHAREHOLDERS

The Transaction is categorised as a Category 1 disposal in terms of the Listings Requirements of the JSE Limited ("Listings Requirements"). Accordingly, a circular prepared in terms of the Listings Requirements, containing a notice of general meeting of shareholders, will be dispatched to shareholders during the course of December 2013.

Sandton
11 November 2013

Corporate Adviser
Vunani Corporate Finance

Designated Adviser
Grindrod Bank Limited

Independent reporting accountants and auditors
KPMG Inc

Legal Adviser
Werksmans Inc

Investment Bank
Investec Bank Limited

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