

Vukile Property Fund Limited
(Incorporated in the Republic of
South Africa)
(Registration number 2002/027194/06)
ISIN: ZAE000056370
JSE Share code: VKE
NSX Share code: VKN
("Vukile")

Fairvest Property Holdings Limited
(Incorporated in the Republic of
South Africa)
(Registration number:
1998/005011/06)
Linked unit code: FVT
ISIN: ZAE000034658
("Fairvest")

JOINT ANNOUNCEMENT IN REGARD TO THE ACQUISITION OF A PROPERTY PORTFOLIO BY
FAIRVEST FROM VUKILE AND THE BASIS OF A STRATEGIC RELATIONSHIP BETWEEN THE
COMPANIES

1. AGREEMENT FOR PURCHASE AND SALE OF PROPERTY PORTFOLIO BUSINESS

- 1.1. Fairvest, Vukile and Vukile's subsidiary, MICC Properties Proprietary Limited ("MICC") (Vukile and MICC being hereafter referred to as the "Sellers") have entered into an agreement ("the Agreement") in terms of which Fairvest acquires from the Sellers a portfolio of retail properties, as detailed in paragraph 4 below ("Subject Portfolio"), including the associated rental enterprise conducted in respect of the Subject Portfolio ("the Transaction").
- 1.2. The effective date of the Transaction shall occur on fulfilment of the conditions precedent to the Agreement or on 1 December 2013, whichever is the later date ("Effective Date").

2. STRATEGIC ALIGNMENT BETWEEN VUKILE AND FAIRVEST

The Transaction has been entered into in the context of Fairvest and Vukile having agreed to a strategic relationship and following implementation of the Transaction Vukile will hold, directly and through MICC, 31.7% of Fairvest's issued linked units.

For Vukile the disposal of the Subject Portfolio to Fairvest is in line with its strategy to focus on larger retail properties in the lower LSM sector, whilst the resultant holding in Fairvest provides Vukile with ongoing indirect exposure to smaller retail centres in this sector, consistent with Vukile's stated strategy of increasing its exposure to lower LSM retail.

Vukile is backing Fairvest's management team to drive above market growth through their active hands on management approach, which in a smaller fund like Fairvest can make a significant impact on growth in distributions.

From Fairvest's perspective the relationship will provide the opportunity to access Vukile's deal flow in regard to retail assets that fall outside of Vukile's strategic focus, but within Fairvest's, which is expected to add substantially to Fairvest's pipeline, and, more broadly, will provide the opportunity for Fairvest to benefit from the experience and expertise of Vukile as a strategic investor.

In addition, settling the full Purchase Price through the issue of Fairvest linked units will reduce Fairvest's loan to value levels to approximately 20%, thereby allowing Fairvest headroom to make significant further yield-enhancing acquisitions through debt funding.

3. PURCHASE CONSIDERATION

- 3.1. The purchase consideration due under the Agreement for the Subject Portfolio ("Purchase Consideration") includes a base purchase consideration of R231 597 000 ("Base Purchase Consideration"), which Base Purchase Consideration shall increase at the rate of 0.02% per day, compounded for every day from and including 1 October 2013 up to, but excluding, the Effective Date ("Purchase Consideration Increase").
- 3.2. The estimated aggregate Purchase Consideration for the Subject Portfolio is R233.9 million, based on an anticipated Effective Date of 1 December 2013, and which includes VAT at the rate of 0%.
- 3.3. In terms of the Agreement, Fairvest is to settle the Purchase Consideration by issuing new ordinary linked units ("Acquisition Linked Units") to the Sellers at an issue price of R1.40 per ordinary linked unit ("Acquisition Issue"). Based on the estimated aggregate Purchase Consideration of R233.9 million, it is anticipated that 167 045 236 Acquisition Linked Units will be issued by Fairvest to the Sellers.

4. THE SUBJECT PORTFOLIO

- 4.1. In terms of the Agreement, Fairvest will purchase the Kimberley Kim Park property from Vukile ("Vukile Property") and all remaining properties from MICC ("MICC Properties").

4.2. Details of the Subject Portfolio

4.2.1. MICC Properties

Property Name and Address	Geographical Location	Sector	Gross lettable area ("GLA") (m ²)	Average Gross Rental per m ² (R/m ²)	Independent valuation (R'm)
Durban Qualbert Centre	KwaZulu Natal	Retail	4,777	136.6	67.2
Malamulele Plaza	Limpopo	Retail	6,193	97.5	69.5
Giyani Spar Centre	Limpopo	Retail	5,485	76.1	47.0
Total			16,455		183.7

4.2.2. Vukile Property

Property Name and Address	Geographical Location	Sector	Estimated Purchase consideration (R'm)	Gross lettable area ("GLA") (m2)	Estimated Purchase consideration per GLA (R/m2)	Average Gross Rental per m2 (R/m2)	Independent valuation (R'm)
Kimberley Kim Park	Northern Cape	Retail	52.8	10,498	5,025	66.4	49.5

Notes:

- i. The estimated total Purchase Consideration of R233.9 million comprises the Base Purchase Consideration of R231.6 million and Purchase Consideration Increase of R2.3 million (assuming an Effective Date of 1 December 2013). The calculation of the estimated Purchase Consideration is dealt with in paragraphs 3.1 and 3.2 above.
- ii. The estimated combined Purchase Consideration for the MICC Properties is R181.1 million, while the estimated Purchase Consideration per GLA (R/m2) for the MICC Properties, taken as a whole, is R11,005.
- iii. The properties were independently valued as at 1 November 2013 by Brian van Vuuren of JHI Properties Proprietary Limited, an external registered professional valuer in terms of the Property Valuers Profession Act, 2000.

5. CONDITIONS PRECEDENT

The Transaction is subject to the fulfilment of the following conditions precedent ("Conditions Precedent") -

- 5.1. that the boards of directors of the Sellers approve the Agreement by not later than 24 October 2013;
- 5.2. that the board of directors of Fairvest approves the Agreement by not later than 24 October 2013;
- 5.3. that the mortgagees in respect of the Subject Portfolio consent, within 30 (thirty) days after the Conditions Precedent in paragraphs 5.1 and 5.2 above have been fulfilled, to the release of the Subject Portfolio from the operation of the existing mortgage bonds;
- 5.4. that all approvals required by law or regulation or the JSE in order to give effect to the Agreement, are obtained, by not later than 17h00 on 31 January 2014; and
- 5.5. that the sale of the Subject Portfolio in terms of the Agreement is unconditionally approved by the Competition Authorities in terms of the Competition Act, No. 89 of 1998 (as amended) or is conditionally approved on terms and conditions which each of the parties to the Agreement confirms in writing to the others by not later than 17h00 on 31 January 2014.

6. ADDITIONAL MATERIAL TERMS

- 6.1. The Agreement provides for warranties that are normal for a transaction of this nature.
- 6.2. The Sellers and Fairvest shall use their respective best endeavours to procure the simultaneous transfer of the properties forming part of the Subject Portfolio to Fairvest, to the extent that it is practically possible to do so without permitting undue delays after the Effective Date, with the date of registration of transfer to Fairvest in the relevant title deeds registry of a property comprising part of the Subject Portfolio, being referred to as the "Transfer Date".
- 6.3. In terms of the Agreement, should any distribution which is payable by Fairvest at any time in respect of the Acquisition Linked Units include any income which is attributable to any period prior to the Transfer Date (the "Relevant Distribution"), then the Sellers antecedently waive their right to such portion of the Relevant Distribution amount payable in respect of each Acquisition Linked Unit which relates to such pre Transfer Date period, the amount so waived being referred to as the "Waived Amount". The Waived Amount shall be an amount per Acquisition Linked Unit equivalent to the portion of the Relevant Distribution which is attributed to each Acquisition Linked Unit in respect of any period prior to the Transfer Date (on the assumption that the Relevant Distribution per Linked Unit accrued in an equal amount per day over the six month distribution reporting period to which the Relevant Distribution relates).
- 6.4. Fairvest shall be liable for interest to the Sellers, calculated at a rate of 9.8% NACM (net annual compounded monthly in arrears), on the outstanding balance of the Purchase Consideration from time to time, from and including the Effective Date up to but excluding the Transfer Date.

7. PRO FORMA FINANCIAL EFFECTS OF THE TRANSACTION ON FAIRVEST

The pro forma financial effects of the Transaction on Fairvest will be published by Fairvest in a follow-up announcement.

8. FORECAST FINANCIAL INFORMATION OF THE SUBJECT PORTFOLIO REQUIRED TO BE SHOWN BY FAIRVEST

The forecast financial information of the Subject Portfolio will be published by Fairvest in a follow-up announcement.

9. CATEGORISATION FROM VUKILE'S PERSPECTIVE

The Transaction does not constitute either a Category 1 or Category 2 transaction for Vukile and accordingly does not require linked unitholder approval and/or the release of a detailed terms announcement. As such, this announcement is made by Vukile on a voluntary basis.

10. CATEGORISATION AND FURTHER DOCUMENTATION FROM FAIRVEST'S PERSPECTIVE

- 10.1. The Transaction constitutes a Category 1 acquisition for Fairvest and, as such, will require the approval of Fairvest linked unitholders.

- 10.2. Furthermore, the Acquisition Issue involves the issuing by Fairvest of the Acquisition Linked Units, which together will hold more than 30% of the voting power of all linked units in the issued linked unit capital of Fairvest, and therefore requires the approval of Fairvest linked unitholders by way of a special resolution in terms of section 41(3) of the Companies Act, No 71 of 2008 (as amended).
- 10.3. Should the Transaction and the Acquisition Issue be approved by Fairvest linked unitholders, the Acquisition Linked Units to be issued in terms of the Acquisition Issue will increase the issued linked unit capital of Fairvest by more than 25%. Accordingly, Fairvest is required, in terms of the JSE Listings Requirements, to issue revised listing particulars.
- 10.4. A circular, incorporating revised listing particulars, detailing the terms of the Transaction and containing a notice convening a general meeting, will be posted to Fairvest linked unitholders in due course.

11. RENEWAL OF FAIRVEST CAUTIONARY ANNOUNCEMENT

Further to Fairvest's cautionary announcement dated 29 August 2013, Fairvest linked unitholders are advised to continue exercising caution when dealing in Fairvest's securities until a follow-up announcement by Fairvest, containing the pro forma financial effects and the forecast financial information in relation to the Transaction, is made.

10 October 2013

Cape Town

PSG Capital: Sponsor and corporate adviser to Fairvest

Java Capital: Sponsor and corporate adviser to Vukile, transaction adviser to Fairvest