

VUKILE PROPERTY FUND LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 2002/027194/06)
JSE share code: VKE NSX share code: VKN
ISIN: ZAE000056370
(Granted REIT status with the JSE)
("Vukile" or "the company")



FIRM INTENTION TO MAKE A MANDATORY OFFER TO THE LINKED UNITHOLDERS OF SYNERGY INCOME FUND LIMITED

1. Introduction

As part of Vukile's strategy to gain greater exposure to retail property, particularly shopping centres that serve the lower income and emerging middle markets, Vukile acquired an initial 52 300 000 Synergy "B" linked units ("SGBs") in December 2013, representing an approximate 34% interest in Synergy Income Fund Limited ("Synergy").

In advance of Vukile's strategy to deepen its position in Synergy and with a view to Vukile ultimately acquiring control of Synergy and/or its underlying property portfolio, on 28 October 2014 Vukile concluded an agreement (the "acquisition agreement") pursuant to which, on Tuesday 4 November 2014, Vukile has taken transfer of:

- 1.1. 3 543 839 SGBs from Stanlib Asset Management Limited in exchange for 1 327 281 Vukile linked units ("VKEs");
- 1.2. 5 584 586 SGBs from Liberty Group Limited in exchange for 2 091 605 VKEs.

The consideration payable by Vukile for the SGBs acquired in terms of the acquisition agreement equates to a swap ratio of 1 VKE for every 2.67 SGBs acquired.

Pursuant to the implementation of the acquisition agreement, Vukile is now able to exercise 39.965% of the voting rights attaching to all securities (SGAs and SGBs) issued by Synergy.

2. Mandatory offer

In consequence of Vukile now being in a position to exercise at least 35% of the voting rights of securities issued by Synergy, Vukile is obliged to:

- 2.1. make a mandatory offer to acquire the remaining SGBs pursuant to Vukile's obligations in terms section 123 of the Companies Act, 71 of 2008 ("the Act"); and
- 2.2. make a comparable offer to holders of Synergy "A" linked units ("SGAs") pursuant to Vukile's obligations in terms of section 125 of the Act as read together with Regulation 87 of the Act's Regulations.

3. Offer consideration

The consideration to be offered by Vukile in terms of the mandatory offer and comparable offer to be made by Vukile to remaining SGB unitholders and to SGA unitholders respectively (collectively "the offers") will be as follows:

3.1. SGB offer consideration

Vukile will extend an offer to all other SGB unitholders to acquire all or a part of the SGBs at a swap ratio of 1 VKE for every 2.67 SGBs.

3.2. SGA offer consideration

Vukile will extend a comparable offer to SGA unitholders to acquire all or part of the SGAs at a swap ratio of 1 VKE for every 1.65 SGAs held.

3.3. Sales effected cum distribution

The sale of any SGA or SGB units to VKE pursuant to the offers shall be effected *cum* any distribution on the SGAs or SGBs in respect of which the record date for participation occurs on or after the date on which the offers become open for acceptance.

4. Condition precedent to the offers

The offers will only be conditional on the receipt of unconditional approval in writing from the South African Competition Authorities, to the extent required in terms of the Competition Act 89 of 1998, in relation to the acquisition by Vukile of control of Synergy and/or Synergy's underlying property portfolio or if such approval is conditional, on the conditions being reasonably acceptable to Vukile.

5. Ability to proceed with the offers

Vukile has sufficient authorised and unissued VKE units under the control of its board of directors to settle any consideration payable in terms of the offers.

6. Unitholding of Vukile in Synergy

Vukile currently holds 61 428 425 SGBs (equal to 39.965% of the Synergy linked units in issue). Vukile does not hold or control (directly or indirectly) any other Synergy linked units and does not have arrangements (whether by way of option or otherwise) to acquire Synergy linked units, other than pursuant to the offers.

7. No concert party arrangements

Vukile is not acting in concert with any other person in relation to the offers.

8. No undertakings to accept the offers

No Synergy linked unitholder has given any undertaking to accept the offers.

9. Pro forma earnings and net asset value effects pertaining to the offers and further financial information

In terms of Regulation 101(7)(b)(iv) of the Act's Regulations, a firm intention announcement must contain, *inter alia*, the *pro forma* earnings and asset value per offeree regulated company security if the offer consideration consists wholly or partly of offeror securities.

The *pro forma* financial effects of the offers for Synergy "A" linked unitholders and Synergy "B" linked unitholders set out below are provided for illustrative purposes only to provide information about how the offers may have affected the financial performance and position of Synergy, and because of their nature, may not fairly represent the financial performance and position of Synergy after the offers.

The table below sets out the *pro forma* financial effects of the offers on a Synergy "A" linked unitholder based on the annual results of Synergy for the year to 30 June 2014 assuming that the offers had been implemented on 1 April 2013 for purposes of the statement of comprehensive income and on 31 March 2014 for purposes of the statement of financial position.

SGA unitholder <i>pro forma</i> earnings and net asset value:	Before the offers¹	After the offers²	% change
NAV per linked unit	10.99	9.43	(14.2)
NTAV per linked unit	10.99	9.11	(17.1)
Earnings per share (cpu)	127.79	85.75	(32.9)
Earnings per linked unit (cpu)	214.58	174.54	(18.7)
Distribution per linked unit (cpu)	86.79	87.39	0.7

Notes and assumptions:

1. The financial information in the “Before the offers” column has been prepared based on the annual results for Synergy for the year to 30 June 2014, as extracted from Synergy’s audited results for the 12 months ended 30 June 2014.
2. The financial information in the “After the offers” column has been prepared based on Vukile’s financial effects pursuant to the offers (for the year ended 31 March 2014) by dividing these results by 1.65 to provide the *pro forma* financial effects for Synergy “A” linked unitholders;
3. The financial information in the “After the offers” column assumes –
 - a. Vukile acquires 100% of the Synergy “A” linked units and 100% of the Synergy “B” linked units it does not already own;
 - b. as a stepped acquisition, the consolidation of Synergy under IFRS 3 with the resultant recognition of a bargain purchase adjustment for the difference in the aggregate consideration paid by Vukile and the Synergy net asset value as at 30 June 2014;

The table below sets out the pro forma financial effects of the offers on a Synergy “B” linked unitholder based on the annual results of Synergy for the year to 30 June 2014 assuming that the offers had been implemented on 1 April 2013 for purposes of the statement of comprehensive income and on 31 March 2014 for purposes of the statement of financial position.

SGB unitholder <i>pro forma</i> earnings and net asset value:	Before the offers¹	After the offers²	% change
NAV per linked unit	8.73	5.98	(31.5)
TNAV per linked unit	8.73	5.77	(33.9)
Earnings per share (cpu)	127.79	54.32	(57.5)
Earnings per linked unit (cpu)	185.36	110.58	(40.3)
Distribution per linked unit	57.57	55.36	(3.8)

Notes and assumptions:

1. The financial information in the “Before the offers” column has been prepared based on the annual results for Synergy for the year to 30 June 2014, as extracted from Synergy’s audited results for the 12 months ended 30 June 2014.
2. The financial information in the “After the offers” column has been prepared based on Vukile’s financial effects pursuant to the offers (for the year ended 31 March 2014) using an approach of aggregating the 20 590 551 Vukile units issued for the 52 300 000 Synergy “B” linked units in December 2013 with the anticipated Vukile units to be issued for the remaining Synergy “B” linked units, multiplied by the financial information of the post transaction Vukile entity and divided by the number of Synergy “B” linked unitholders in issue in order to provide the *pro forma* financial effects for Synergy “B” linked unitholders;
3. The financial information in the “After the offers” column assumes –
 - a. Vukile acquires 100% of the Synergy “A” linked units and 100% of the Synergy “B” linked units it does not already own;
 - b. as a stepped acquisition, the consolidation of Synergy under IFRS 3 with the resultant recognition of a bargain purchase adjustment for the difference in the aggregate consideration paid by Vukile and the Synergy net asset value as at 30 June 2014;

The board of directors of Vukile are of the opinion that the *pro forma* financial effects required under the Act's Regulations are inadequate for a complete assessment by a Synergy "A" or "B" linked unitholder of the offers and accordingly, have set out below the following further financial information.

<i>Pro forma</i> net asset values using market pricing as at 28 October 2014 and assuming a transaction implementation date of 1 January 2015:	Before the offers	After the offers	% change
SGA price per linked unit (cpu)	1050	1083	3.1
SGB price per linked unit (cpu)	650	684	5.3

<i>Pro forma</i> distribution per linked unit using market pricing as at 28 October 2014 and assuming a transaction implementation date of 1 January 2015:	Before the offers	After the offers	% change
SGA distribution per linked unit (cpu)	93.4	88.4	(5.3)
SGB distribution per linked unit (cpu)	63.4	56.0	(11.6)

Notes and assumptions:

1. A transaction implementation date of 1 January 2015 has been assumed;
2. Spot market prices as at 28 October 2014, the date of the signing of the acquisition agreement, have been assumed for the purpose of net asset values;
3. The SGA distribution information in the "Before the offers" column has been prepared based on *pro rata* distribution forecasts of 5% and 5% for Synergy "A" linked units for the years ended 30 June 2015 and 30 June 2016, respectively, as stated in Synergy's Debenture Trust Deed, provided in the Synergy pre listing statement dated 30 November 2011;
4. The SGB distribution information in the "Before the offers" column has been prepared based on a *pro rata* distribution forecast of 6% for Synergy "B" linked units for the year ended 30 June 2015, as stated in the prospects section of Synergy's summarised audited financial statements for the year ended 30 June 2014, and further assuming market level growth of 8% for the year ended 30 June 2016;
5. The VKE distribution information included in the determination of the "After the offers" column has been prepared based on a *pro rata* distribution forecast of 8% for Vukile linked units for the year ended 31 March 2015, as stated in the prospects section of Vukile's audited condensed consolidated results for the year ended 31 March 2014, and further assuming market level growth of 8% for the year ended 31 March 2016;

10. Responsibility statements

The board of directors of Vukile:

- 10.1. accepts responsibility for the information contained in this announcement;
- 10.2. confirms that to the best of its knowledge and belief, the information contained in this announcement is true and correct; and
- 10.3. confirms that this announcement does not omit anything likely to affect the importance of the information contained in it.

11. Documentation and timing in regard to the offers

The offer circular will be posted to Synergy linked unitholders within 20 business days of the date of this announcement.

Synergy unitholders will be advised of the posting of the circular and the opening date of the offers by means of a SENS announcement.

The offers will remain open for acceptance for at least 30 business days after the opening date of the offer, which will occur once the condition precedent to the offers (being Competition Authority approval) has been secured.

4 November 2014

Corporate advisor, legal adviser and JSE sponsor

JAVACAPITAL