

Terms announcement relating to the acquisition of shares in and certain claims against certain of the underlying subsidiaries of UCS Group Limited ("UCS") and withdrawal of cautionary announcement



1. INTRODUCTION

Further to the cautionary announcements released by BCX on SENS on Thursday, 30 September 2010 and Wednesday, 10 November 2010, BCX shareholders are advised that BCX has entered into a Sale of Shares and Claims Agreement (the "Agreement") with UCS regarding the sale of the Target Companies as defined in paragraph 3 below (the "Transaction").

The purpose of this announcement is to provide BCX shareholders with the salient terms of the Transaction. A circular with information in respect of the Transaction and incorporating a notice convening a general meeting of BCX shareholders (the "Circular") will be posted to BCX shareholders in due course.

2. RATIONALE

The Transaction gives BCX an opportunity to acquire the Target Companies, being key UCS assets, thereby creating one of Africa's largest IT services groups with extensive retail capacity. Some specific opportunities include, *inter alia*:

- the Target Companies provide the opportunity for BCX to be a market leader within the retail IT services sector, which sector is well suited to BCX's data centre offering;
- the Target Companies complement BCX's African expansion strategy as some of South Africa's leading retailers have a stated strategy to pursue opportunities in the rest of Africa; and
- the Target Companies will improve the margins within the Company as the services proportion of total revenue increases.

3. DETAILS OF THE TRANSACTION

3.1 Salient details of the Target Companies

3.1.1 UCS Solutions (Proprietary) Limited ("UCS Solutions")

UCS Solutions is a wholly owned subsidiary of UCS Solutions Holdings (Proprietary) Limited ("UCS Holdings"), which in turn is a wholly owned subsidiary of UCS. UCS Solutions specialises in the provision of outsourced application hosting services, integrated service management services, SAP and JDIA application software services as well as strategic and optimisation consulting services for the retail industry.

3.1.2 CEB Maintenance Africa (Proprietary) Limited ("CEB Maintenance")

CEB Maintenance is a wholly owned subsidiary of UCS Holdings. CEB Maintenance specialises in the provision of general computer hardware services, including implementation, roll-out, support and maintenance services for the retail industry, and the supply of computer hardware, including point-of-sale hardware to the retail industry for long standing blue chip retail customers.

3.1.3 UCS Technology Services (Proprietary) Limited ("UCS Technology Services")

UCS Technology Services is a wholly owned subsidiary of UCS Holdings. UCS Technology Services provides services relating to the "in-store" point-of-sale, software on behalf of third party software vendors, solutions and services required to install, operate and support point-of-sale information technology elements that are required in a retail store and including, to a lesser extent, support services to the retailers' central environment to consolidate and distribute data to and from the store.

3.1.4 Accsys (Proprietary) Limited ("Accsys")

Accsys is a wholly owned subsidiary of UCS. Accsys specialises in the provision of payroll, time, attendance and human resources management software and the source and provision of associated hardware together with the deployment and implementation services associated with such solutions and ongoing maintenance and support of such solutions. Accsys also provides an outsourced payroll bureau service as well as a recruitment function including a certified e-learning course specifically related to payroll administration.

3.1.5 Destiny Electronic Commerce (Proprietary) Limited ("Destiny E-Commerce")

Destiny E-Commerce is a 70% (seventy percent) subsidiary of Computerkit Holdings (Proprietary) Limited, which in turn is a wholly owned subsidiary of UCS. Destiny E-Commerce specialises in the provision of the distribution of VeriFone transactional terminals into South Africa on an exclusive basis, it also has a distribution right for such terminals into Southern Africa. Destiny E-Commerce also provides various related computer software solutions for use with and in relation to transactional terminals.

3.2 Terms of the Transaction

In terms of the Transaction, BCX will acquire the Target Companies from UCS for an aggregate Transaction consideration of R614 172 791 (six hundred and fourteen million one hundred and seventy two thousand seven hundred and ninety one rand) ("Transaction Consideration"). The Transaction Consideration will be settled partly by the issue of BCX ordinary shares with the balance being settled in cash:

- the Transaction Consideration will be settled partly by the issue of 101 243 118 (one hundred and one million two hundred and forty three thousand one hundred and eighteen) BCX ordinary shares ("Consideration Shares"), based on the 30-day volume weighted average price ("VWAP") as at 30 September 2010 of R5.77. The Consideration Shares will subsequently be unbundled to UCS shareholders ("UCS Unbundling"). Excluding the "A" shares in issue by BCX, this translates into 25% (twenty-five percent) of the entire issued ordinary share capital of BCX (including treasury shares) plus 1 (one) BCX share.
- the balance of R30 000 000 (thirty million rand) will be settled in cash ("Purchase Consideration Balance") provided that the agreed upon net profit after tax ("NPAT") of the Target Companies is achieved for the financial year ending 30 September 2011 ("Target NPAT"). The Purchase Consideration Balance will be adjusted downwards on a sliding scale should the NPAT not be met. Consequently the Target Companies' existing management structure is incentivised to ensure a smooth transition.

BCX has warranted to UCS that, on the dates set out below, the number of Consideration Shares shall not constitute less than 25% (twenty-five percent) of the entire issued ordinary share capital of BCX (including treasury shares) plus 1 (one) BCX share ("UCS Minimum Shareholding"), and, to the extent that the number of Consideration Shares constitutes less than the UCS Minimum Shareholding, BCX shall issue so many more BCX ordinary shares in order to constitute the UCS Minimum Shareholding on all of the following dates:

- the date upon which BCX issues the Consideration Shares to UCS; and
- the date upon which UCS implements the UCS Unbundling, provided that the unbundling is effected within a certain period.

The Transaction will be effective on the 3rd (third) business day after the date on which the last of the Conditions Precedent is fulfilled or waived ("Effective Date"), as the case may be. Pursuant to the Transaction, the Target Companies will become subsidiaries of BCX.

Further to the above Transaction Consideration, should BCX dispose of any one or more of the Target Companies within 12 months of the Effective Date to an independent third party, UCS shall have the right to elect that in respect of one of those disposals, BCX and UCS shall share in the net proceeds (in the ratio 30:70) of such disposal where the net proceeds are in excess of the market value of the BCX shares issued to UCS in respect of the acquisition of such Target Company.

3.3 UCS Unbundling

UCS has undertaken not to complete the UCS Unbundling prior to the expiry of the period commencing on the Effective Date and ending 3 (three) months thereafter ("UCS Unbundling Warranty Period") but as soon as reasonably possible thereafter. UCS acknowledges and agrees that UCS shall not itself be entitled to vote the Consideration Shares if the UCS Unbundling has not occurred on or before the expiry of a period of 6 (six) months after the expiry of the UCS Unbundling Warranty Period and, in such event, UCS shall then take instructions from its shareholders on the same basis that a CSDP takes instructions from the beneficial holders on whose behalf it holds listed shares, and UCS shall vote the Consideration Shares on the instructions so received from the shareholders of UCS. If any UCS shareholder fails to direct UCS to vote the Consideration Shares as aforesaid, then such *pro rata* number of Consideration Shares shall not be counted for the purposes of any vote by the shareholders of BCX at any meeting of the shareholders of BCX until the UCS Unbundling has occurred.

4. PRO FORMA FINANCIAL EFFECTS OF THE TRANSACTION ON BCX SHAREHOLDERS

The unaudited *pro forma* financial effects of the Transaction on BCX shareholders set out below are based on the BCX results for the year ended 31 August 2010 and the Target Companies' results for the year ended 30 September 2010. The unaudited *pro forma* financial effects are the responsibility of the board of directors of BCX and have been prepared for illustrative purposes only and because of their *pro forma* nature may not give a fair reflection of BCX's financial position or results of operations after the Transaction.

The unaudited *pro forma* financial effects of the Transaction on BCX shareholders are set out below:

|   | Before the Transaction <sup>(1)</sup> | After the Transaction - Post-transaction costs <sup>(2), (3), (4), (5), (6)</sup> | Change | After the Transaction - Pre-transaction costs | Change |
|---|---------------------------------------|---|--------|---|--------|
|   |                                       |   | (%)    |   | (%)    |
| Headline earnings per share (cents)               | 47.6                                  | 43.3  | (9.0)  | 47.0  | (1.3)  |
| Basic earnings per share (cents)                  | 47.2                                  | 43.1  | (8.7)  | 46.8  | (0.9)  |
| Diluted headline earnings per share (cents)       | 40.3                                  | 38.4  | (4.7)  | 41.7  | 3.5    |
| Diluted earnings per share (cents)                | 40.1                                  | 38.2  | (4.7)  | 41.4  | 3.2    |
| Net asset value per share (cents)                 | 508.4                                 | 514.7   | 1.2    | 518.0   | 1.9    |
| Net tangible asset value per share (cents)        | 460.1                                 | 370.9   | (19.4) | 374.2   | (18.7) |
| Number of shares in issue ('000)                  | 303 729                               | 404 972   | 33.3   | 404 972                                       | 33.3   |
| Weighted average number of shares in issue ('000) | 260 854                               | 362 097   | 38.8   | 362 097                                       | 38.8   |
| Diluted weighted average number of shares ('000)  | 307 636                               | 408 879   | 32.9   | 408 879                                       | 32.9   |

Notes and assumptions

- The financial information in the "Before the Transaction" column has been based on:
  - for statement of comprehensive income purposes, BCX's published and audited statement of comprehensive income for the year ended 31 August 2010; and
  - for statement of financial position purposes, BCX's published and audited statement of financial position as at 31 August 2010.
- The unaudited *pro forma* statement of comprehensive income of BCX has been prepared assuming that BCX acquired the Target Companies with effect from 1 September 2009.
- The unaudited *pro forma* statement of financial position of BCX has been prepared assuming that the Transaction was effected on 31 August 2010.
- The unaudited *pro forma* statement of comprehensive income and unaudited *pro forma* statement of financial position has been prepared using the management accounts of the Target Companies for the year ended 30 September 2010.
- The unaudited *pro forma* financial statements include:
  - transaction costs of approximately R13.4 million;
  - the assumption that the carrying amounts of the net assets of the Target Companies represent their fair values;
  - the assumption that the deferred tax balances of the Target Companies is the deferred tax at acquisition;
  - an indicative valuation of the fair value of intangible assets at acquisition; and
  - deferred tax raised on the indicative valuation of intangible assets.
- The number of ordinary shares in issue increases by approximately 101.2 million as a result of the Transaction.
- Excludes transaction costs of approximately R13.4 million.

5. SHAREHOLDER SUPPORT

Following the cautionary announcement released on SENS on Wednesday, 10 November 2010, BCX held discussions with a number of its major shareholders, the majority of whom have indicated support for the Transaction.

6. CONDITIONS PRECEDENT

The Transaction is subject to the fulfilment and/or waiver of, *inter alia*, the following conditions precedent by no later than 29 April 2011 (or such later date as UCS and BCX may agree in writing):

- the approval by the requisite majority of UCS shareholders of the resolutions to be proposed at the general meeting to approve the Transaction and any other matters relating to the Transaction;
- the obtaining by each of UCS and BCX of any regulatory approvals as may be required for the Transaction in terms of the Listings Requirements and the SRP Code;
- the approval by the requisite majority of BCX shareholders in general meeting of the Transaction and any other matters relating thereto;
- the approval of the Competition Authorities of the Transaction;
- a written undertaking from UCS' current BEE shareholders in terms of which they agree not to dispose of so many BCX shares distributed to them pursuant to the Unbundling, or written undertakings from UCS shareholders in terms of which they agree to sell to BCX so many BCX shares distributed to them pursuant to the Unbundling, or a combination of the above, as is required in order for BCX to retain a BEE ownership status of at least 25% plus 1 BCX share after the Unbundling and until 31 December 2011;
- the approval of the Transaction and all agreements and transactions contemplated therein by Nedbank Limited, to the extent required; and
- the waiver by the 30% minority management shareholders in Destiny E-Commerce of their pre-emptive and related rights under and in terms of the shareholders' agreement entered into in respect of Destiny E-Commerce.

7. THE AGREEMENT

The Agreement contains provisions usually provided for in transactions of this nature including, without limitation, warranties, rights to terminate in the event of a material adverse event and limitation of liability, the details of which shall be described in more detail in the Circular.

8. UCS ANNOUNCEMENT

BCX shareholders are also referred to the separate announcement that has been made by UCS on SENS today, 15 December 2010, relating to the Transaction.

9. WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

BCX shareholders are advised that, as a result of the publication of this announcement, the relevant cautionary announcement is now withdrawn and caution is no longer required to be exercised by BCX shareholders when dealing in their BCX shares.

Midrand  
15 December 2010

Business Connexion Group Limited

(Incorporated in the Republic of South Africa)  
(Registration number 1988/005282/06)  
Share code: BCX ISIN: ZAE000054631  
("BCX" or "the Company")

Merchant bank and sponsor to BCX



Attorneys to BCX



Transaction manager



Independent reporting accountants

