

Announcement relating to the acquisition by Business Connexion (Proprietary) Limited of a 50% plus one share interest in the issued share capital of Dusty Moon Investments 333 (Proprietary) Limited



1. INTRODUCTION

BCX shareholders are hereby advised that Business Connexion (Proprietary) Limited ("BCX Pty"), a wholly owned subsidiary of BCX, entered into a sale of shares agreement with the trustees of the Trust ("TW Trust" or "the Seller") on 1 June 2011 ("the Sale of Shares Agreement"), in terms of which, *inter alia*, it will purchase 50% plus one share in the issued share capital of Dusty Moon Investments 333 (Proprietary) Limited ("Sale Shares"), a company which will hold 100% of the entire issued share capital of Cedar Point Trading 373 (Proprietary) Limited ("Canoa Importers 2") and Newmillen Investments 117 (Proprietary) Limited ("SOS Holdings") (hereinafter referred to as "Canoa Group Holdings" or collectively as "Canoa Group") on the terms and conditions as set out below ("the Acquisition").

The purpose of this announcement is to provide BCX shareholders with the salient terms of the Acquisition.

2. RATIONALE

In 2010, BCX announced the formation of a Managed Print Services business unit through a joint venture with the Canoa Group, to enhance its overall managed services offerings. This Acquisition represents an extended investment into this important and growing area of information and communications technology ("ICT") workspace management and managed services.

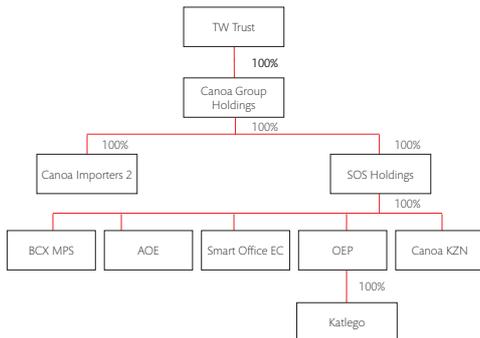
The Acquisition is aligned to BCX's vision to create a simplified ICT workspace for customers. The growth of multipurpose, intelligent print devices and their related peripherals and management has become a fundamental component of an enterprise's overall end-user computing strategy. BCX wishes to further enhance its position as a leading managed services provider by acquiring exclusive supply and skills in the market. The Acquisition will enhance BCX's position in this growing market.

The Acquisition is expected to have a positive impact on the Group's key target metrics including, return on equity, earnings per share and operating profit margins.

3. DETAILS OF THE ACQUISITION

3.1 Terms of the Acquisition

- In order to facilitate the implementation of the Acquisition, the Seller has undertaken to restructure the current Canoa Group businesses ("Restructure") such that on or before the effective date of the Acquisition:
- the Seller holds 100% of the issued share capital of Canoa Group Holdings;
 - Canoa Group Holdings holds 100% of the issued share capital of Canoa Importers 2 and SOS Holdings;
 - SOS Holdings holds 100% of the issued share capital of OEP Office Equipment Products (Proprietary) Limited ("OEP"), Smart Office Eastern Cape (Proprietary) Limited ("Smart Office EC"), Canoa KwaZulu Natal (Proprietary) Limited ("Canoa KZN"), Automated Office Equipment (Proprietary) Limited ("AOE") and Business Connexion Managed Print Services (Proprietary) Limited ("BCX MPS");
 - OEP continues to hold 100% of the issued share capital of Katlego Solutions (Proprietary) Limited ("Katlego"); and
 - the consumables businesses of Black Ginger 35 (Proprietary) Limited and Cancape (Proprietary) Limited have been transferred to AOE.
- On the effective date, the structure of Canoa Group will therefore be as follows:



3.1.1 Canoa Importers 2

Canoa Importers 2 is a sourcing and direct distribution company for copy, print, imaging technology and solutions. The exclusive distribution rights with Canon South Africa (Proprietary) Limited ("Canon SA") for copy and imaging technology in South Africa currently held by Canoa Importers (Proprietary) Limited ("Canoa Importers") ("Partner Agreement") will be assigned to Canoa Importers 2 prior to the effective date of the Acquisition ("Assignment Agreement").

3.1.2 SOS Holdings

SOS Holdings is a company which will, following the Restructure, hold 100% of the issued share capital of the following companies:

- 3.1.2.1 OEP (a 100% shareholder of Katlego, a Public sector direct sales print services company), Smart Office EC, Canoa KZN, and AOE, the multi-brand, break and fix service companies offering cost-effective print solutions, including document storage and retrieval solutions; and
- 3.1.2.2 BCX MPS which offers enterprise-focused solutions with an emphasis on providing complete Managed Print Services to large organisations. BCX Pty's 50.1% shareholding in this entity will be transferred to SOS Holdings as part of this Acquisition.

3.2 Purchase consideration

The consideration payable by BCX to the TW Trust in terms of the Sale of Shares Agreement is R240 000 000 (two hundred and forty million rand) in cash ("Purchase Consideration"), and will be paid on the closing date, which will be within 5 (five) business days after the fulfilment or waiver, as the case may be, of all conditions precedent to the Acquisition.

3.3 Profit warranty

The Seller has warranted sustainable profit after tax ("PAT") until the period ending 31 August 2012. To the extent that the actual PAT exceeds the warranted PAT to 31 August 2012 by more than 5%, then the Seller will earn an additional consideration ("Increase Amount"). This Increase Amount will be payable in two instalments.

The first instalment equalling 50% of the Increase Amount will be payable in November 2012. The second instalment equalling the remaining 50% of the Increase Amount will only be payable if the sustainable PAT to 31 August 2013 is equal to or exceeds the inflation adjusted sustainable PAT to 31 August 2012 ("2013 Target PAT"). Such payment would be made in November 2013.

If the 2013 Target PAT is not achieved, the second instalment will not be payable. In the event that the actual sustainable PAT to 31 August 2012 is less than the warranted PAT by 5% or more, then the Purchase Consideration will be reduced ("Reduction Amount").

Any potential Increase Amount or Reduction Amount will be capped at a value R60 000 000 (sixty million rand).

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

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

- BCX audited results for the year ended 31 August 2010, adjusted for:
 - o the results for the year ended 30 September 2010 of the UCS Group Limited target assets acquired in the Acquisition by BCX ("UCS Acquisition") that became effective on 1 May 2011 and was published in a circular to BCX shareholders posted on 9 March 2011; and
 - o the disposal of BCX's 70% shareholding in Destiny Electronic Commerce (Proprietary) Limited ("Destiny") as announced on SENS on 24 May 2011, 2 June 2011 and 3 June 2011 ("Destiny Disposal"); and
- unaudited management accounts for the year ended 28 February 2011 for all Canoa Group companies except Canoa Importers 2 and Smart Office EC whose unaudited management accounts are for the year ended 30 June 2010. BCX is satisfied with the quality of these management accounts.

The *pro forma* financial effects have not been based on the recently published BCX interim results for the six months ended 28 February 2011 as they did not account for the UCS Acquisition. It is therefore more meaningful to base the financial effects on the results for the year ended 31 August 2010 as there would be continuity of the UCS Acquisition and the Destiny Disposal.

The unaudited *pro forma* financial effects are the responsibility of the board of directors of BCX and have been prepared for illustrative purposes only to provide information about how the Acquisition may have impacted shareholders on the relevant reporting date and because of their *pro forma* nature may not give a fair reflection of BCX's financial position, changes in equity results of operations or cash flows after the Acquisition.

	Before the Acquisition ⁽¹⁾	After the Acquisition ^{(2), (3), (4), (5)}	Change (%)
Headline earnings per share (cents)	38.7	46.1	19.1
Diluted headline earnings per share (cents)	34.3	40.8	19.0
Basic earnings per share (cents)	47.3	54.7	15.6
Diluted earnings per share (cents)	41.9	48.4	15.5
NAV per share (cents)	522.6	512.1	(2.0)
Net tangible asset value per share (cents)	412.7	370.8	(10.2)
Number of shares in issue ('000)	404 912	404 912	-
Weighted average number of shares in issue ('000)	362 097	362 097	-
Diluted weighted average number of shares ('000)	408 879	408 879	-

Notes and assumptions:

- The financial information in the "Before the Acquisition" column has been based on:
 - the *pro forma* financial effects in the circular to BCX shareholders dated 9 March 2011 relating to the UCS Acquisition; and
 - the *pro forma* financial effects in the SENS announcements to BCX shareholders dated 2 June 2011 and 3 June 2011 relating to the Destiny Disposal.
- The net profit after tax and net assets attributable to OEP, Canoa KZN, and AOE for the year ended 28 February 2011 as included in the *pro forma* financial effects amounted to R22.1 million and R80.5 million respectively.
- The net profit after tax and net assets attributable to Canoa Importers 2 and Smart Office EC for the year ended 30 June 2010, as included in the *pro forma* financial effects amounted to R45.7 million and R4.7 million respectively.
- The unaudited *pro forma* statement of comprehensive income of BCX has been prepared assuming that BCX made the Acquisition with effect from 1 September 2009.
- The unaudited *pro forma* statement of financial position of BCX has been prepared assuming that the Acquisition was effected on 31 August 2010.

5. CONDITIONS PRECEDENT

The Acquisition has been approved by the board of directors of BCX and the Competition Authorities, but remains subject to the fulfilment or waiver (where applicable) of the following conditions precedent, by no later than 14 June 2011:

- the approval of the trustees of the TW Trust of the entering into of the Sale of Shares Agreement;
- the approval of the board of directors of Canoa Group Holdings of the transfer of the Sale Shares from the TW Trust to BCX Pty and the entering into of the Sale of Shares Agreement;
- the written consent to the Acquisition by Canon SA;
- the adoption of a special resolution by the TW Trust in terms of sections 66(8) and (9) of the Companies Act, No. 71 of 2008, as amended ("Companies Act"), approving the remuneration of the directors of Canoa Group Holdings;
- the implementation of the Restructure by the TW Trust;
- the conclusion of the Assignment Agreement between Canon SA, Canoa Importers and Canoa Importers 2 in terms of which Canoa Importers ceases all of its rights and delegates all of its obligations under the existing Partner Agreement to Canoa Importers 2 and such agreement becoming unconditional, save for any condition requiring the Sale of Shares Agreement to become unconditional;
- the conclusion of the Shareholders' Agreement between BCX Pty, the trustees of the TW Trust and Canoa Group Holdings and it becoming unconditional, save for any condition requiring the Sale of Shares Agreement to become unconditional;
- the conclusion of employment and restraint agreements and such agreements becoming unconditional save for any condition requiring the Sale of Shares Agreement to become unconditional;
- the delivery by the TW Trust of the disclosure schedule containing information disclosed against warranties given to BCX Pty and the approval of such disclosure schedule by BCX Pty; and
- the replacement of the Canoa Group Holdings articles of association with the memorandum of incorporation in line with the Companies Act.

6. EFFECTIVE DATE

The Acquisition will be effective on 1 June 2011, provided all conditions precedent are fulfilled or waived, as the case may be, by 14 June 2011.

7. CLASSIFICATION OF THE ACQUISITION

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

8. MEMORANDUM OF INCORPORATION

BCX undertakes that the memorandum of incorporation of Canoa Group Holdings will conform to Schedule 10 of the JSE Listings Requirements, as required.

Midrand
6 June 2011

Business Connexion Group Limited

(Incorporated in the Republic of South Africa)
Registration number 1988/005262/06
Share code: BCX
ISIN: ZAE000054631
("BCX" or "the Company")

Merchant Bank and sponsor



Transaction advisor



Attorneys

