



SA FRENCH LIMITED

Incorporated in the Republic of South Africa
(Registration number: 1982/009174/06)
Share code: SFH ISIN: ZAE000108890
("SA French" or "the Company" or "the Group")

TERMS ANNOUNCEMENT OF THE PROPOSED RIGHTS OFFER TO RAISE R20 MILLION OF NEW EQUITY, POTENTIAL MANDATORY OFFER AND APPLICATION FOR WAIVER IN TERMS OF RULE 8.7 OF THE SRP CODE AND WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

1. Introduction, Purpose and Rationale

- 1.1 SA French has been the exclusive distributor in sub-equatorial Africa of Potain tower cranes for the last 28 years. Potain is part of Manitowoc Company Inc ("Manitowoc"). Manitowoc is the largest lifting group in the world and is listed on the New York Stock Exchange. SA French also holds distribution agreements with Merlo (manufacturers of telescopic handlers and self-loading concrete mixers) and Saltec (producers of passenger and other material hoists) for the sub-equatorial Africa region, which has allowed the Company to offer complementary materials handling solutions to its clients for the past 25 years.
- 1.2 Despite its strong market position, SA French has come under some operational pressures as a result of the Eskom power crisis, the global financial crisis of 2008 and the delays in the rollout of the government's infrastructure programme. These events impacted on business confidence and the order books of the major players in the mining, construction and industrial sectors, who comprise SA French's client base.
- 1.3 As a result of a falloff in revenue SA French has incurred some losses over the past two years and so came under pressure from its banks on existing facilities. In addition, the Company has not been able to access any financing to support its growth plans, in particular the numerous consolidation opportunities that now exist within the industry.
- 1.4 SA French and its advisors have therefore been working with its banks and creditors to restructure the Company's liabilities in a manner that is sustainable for the Company, given the more subdued market environment in which it is now operating. As a result of these activities the Company has successfully concluded the following negotiations and/or agreements:
- 1.4.1 A stock repurchase agreement with Manitowoc, the result of which will be a decrease of approximately R45 million in both trade payables and inventories;
- 1.4.2 Agreements with ABSA, Wesbank and Standard Bank to capitalise arrears on their asset based finance arrangements and to re-term their debt over longer periods that range from 48 to 60 months; and
- 1.4.3 The conclusion of negotiations with the SA French Group Trust ("SAFGT") and Speedprops 70 (Proprietary) Limited ("Speedprops") to write-off 50% of their combined shareholder loans to the Company to the value of R9.5 million and to re-organise the balance of their claims against SA French in aggregate into an amortising loan over 6 years, bearing interest at the prime rate of SA French's South African bankers from time to time.
- 1.5 The conclusion of the above negotiations has significantly improved the balance sheet position of the Company by reducing financial risk and improving its liquidity position.
- 1.6 The strengthening of the Company's balance sheet places it in an improved position to benefit from consolidation, sales and leasing opportunities within its industry. In the SADC region SA French has leveraged its long-term relationships with large construction and mining entities and so is well positioned to benefit from upcoming infrastructural and development projects in the region. Within South Africa, the Company's national footprint, services capabilities and competitive pricing on rentals make it the tower crane supplier of choice to various listed and unlisted construction firms. Construction projects that had been curtailed or stalled are beginning to be revisited and significant sales and rental deals have recently been concluded with the South African government in respect of both the planned Medupi and Kusile power plants.
- 1.7 Over the past two years, SA French has made a significant investment in its rental fleet. From a revenue and profitability perspective, short-term profitability has been replaced with longer-term prospective revenues from rentals. This shift has placed pressure on the Company's cash flows and, while this has been reduced following the restructuring of liabilities referred to above, the board of directors considers that it is prudent and appropriate to raise R20 million of equity in the form of a rights offer (at 5 cents per rights offer share) (the "SAF rights offer"). The proceeds of the SAF rights offer will be used to:
- 1.7.1 repay the bridging finance provided by AfrAsia Corporate Finance (Proprietary) Limited ("AfrAsia") and referred to in the SENS announcement dated 26 January 2011;
- 1.7.2 settle certain other short-term liabilities where it is advantageous to the Company to do so;
- 1.7.3 restore working capital to a level that will enable SA French to continue its organic growth strategy; and
- 1.7.4 strengthen the balance sheet so that the Company is able to take advantage of opportunistic consolidation opportunities that may present themselves.

2. Terms of the SAF Rights Offer

- 2.1 The board of directors of SA French ("the Board") is pleased to announce that the terms and conditions relating to the SAF rights offer are as follows:

2.1.1 Total amount sought to be raised in terms of the SAF rights offer:	R20 000 000.00
2.1.2 Ratio of entitlement:	240 SAF rights offer shares for every 100 SA French shares held on the record date for the SAF rights offer (to be communicated to shareholders in due course)
2.1.3 SAF rights offer share price (the issue price):	The issue price of 5 cents per SA French ordinary share
2.1.4 Excess applications:	Excess applications will be allowed and all excess SAF rights offer shares will be allocated equitably

- 2.2 The issue price of 5 cents per SAF rights offer share represents a discount of 17.4% to the 30 day volume weighted average traded price of SA French ordinary shares on the JSE Limited ("JSE") 30 business days prior to the publication of this announcement, being 16 March 2011.
- 2.3 Qualifying shareholders recorded in the register of SA French at the close of business on the record date (which will be communicated to shareholders in due course), will be entitled to participate in the SAF rights offer.
- 2.4 In terms of underwriting agreements ("Underwriting Agreements") entered into by SA French with SAFGT and AfrAsia (hereinafter collectively referred to as "the Underwriters"), the SAF rights offer has been fully underwritten by the Underwriters ("the underwritten rights offer shares").
- 2.5 The Underwriting Agreements are conditional upon, *inter alia*, the passing of the whitewash resolution (as defined in paragraph 4.5 below) and the obtaining of the Rule 8.7 Exemption (as defined in paragraph 4.5 below). Accordingly, if the whitewash resolution or the Rule 8.7 Exemption is not obtained, the Underwriting Agreements shall lapse and be of no further force or effect and the Underwriters shall not subscribe for the underwritten rights offer shares.
- 2.6 Further details of the underwriting are dealt with in paragraph 5 below.
- 2.7 Qualifying shareholders will be entitled to apply for excess applications in respect of those SAF rights offer shares that have not been taken up on the closing date to be communicated to shareholders in due course. Any SAF rights offer shares that thereafter remain unallocated shall then be allocated, towards any excess applications, by the Board on a pro rata basis.

3. Increase in authorised share capital

- 3.1 There is currently an insufficient amount of authorised unissued ordinary shares in the share capital of SA French to implement the SAF Rights Offer. It is therefore necessary to increase the authorised share capital of SA French.
- 3.2 Accordingly, SA French shareholders will be asked to approve, by way of a special resolution, an increase in the authorised share capital of SA French from R5 000 000 to R10 000 000 by the creation of an additional 500 000 000 authorised shares, which shares will rank *pari passu* in all respects with the existing issued shares in the capital of SA French.

4. Potential Mandatory Offer and Waiver by Whitewash

- 4.1 SAFGT is currently a 40% shareholder in the total issued share capital of the Company.
- 4.2 Speedprops is a wholly owned subsidiary of SAFGT and holds approximately 4.8% of the total issued share capital of the Company.
- 4.3 SAFGT and Speedprops are viewed by the Securities Regulation Panel ("SRP") as concert parties in terms of the Securities Regulation Code on Takeovers and Mergers and the Rules of the SRP established by the SRP in terms of section 440C of the Act ("the Code") and, accordingly, SAFGT and Speedprops together as concert parties, or (in any event, irrespective of such concert party relationship) if SAFGT alone, comes to control 45% or more of the votes attaching to the issued shares in SA French, pursuant to the subscription for shares in terms of the SAF rights offer or the subsequent subscription by SAFGT for underwritten rights offer shares, then such subscription for shares will be regarded by the SRP as an "affected transaction" under the Code and would ordinarily result in an obligation on SAFGT and/or Speedprops to extend a mandatory offer to SA French Shareholders, to acquire their shares for a comparable consideration.
- 4.4 However, in terms of Rule 8.7 of the Code, the SRP may waive the requirement to make a mandatory offer if such waiver is supported by a majority of independent shareholders in general meeting.

- 4.5 As set out in the notice of a special general meeting attached to and forming part of the first circular ("First Circular") to be distributed to shareholders on or about 24 March 2011, independent SA French shareholders will be afforded the opportunity to cast their vote in favour of a resolution waiving the requirement for a mandatory offer to be made in terms of the Code ("the whitewash resolution"). Should the requisite majority of independent votes be cast in favour of the whitewash resolution, subsequent application will be made to the SRP for the exemption by the SRP from the obligation to make a mandatory offer in terms of Rule 8.7 of the Code ("the Rule 8.7 Exemption"). The SRP has advised that it is willing to consider an application to grant the Rule 8.7 Exemption, subject to the passing of the whitewash resolution by a majority of SA French shareholders, who are independent from SAFGT and Speedprops. Prior to granting the Rule 8.7 Exemption, the SRP will consider any objections or representations (if any) made by parties as contemplated in the paragraphs below.
- 4.6 Any interested party who wishes to object to the Rule 8.7 Exemption shall have at least 7 (seven) calendar days following the date of posting of the First Circular, to raise such an objection with the SRP. Objections should be made in writing and addressed to the "Executive Director, Securities Regulation Panel" at any one of the following addresses:

Physical	Postal	Fax
Sunnyside Office Park 1st Floor, Building B 32 Princess of Wales Terrace (off St Andrews Road) Parktown Johannesburg 2193	PO Box 91833 Auckland Park 2006	+27 11 642 9284

- 4.7 The date on which objections should reach the SRP in order to be considered will be communicated to shareholders in due course.
- 4.8 If any submissions are made to the SRP within the permitted timeframe, the SRP will consider the merits thereof and, if necessary, provide the objectors with an opportunity to make representations to the SRP. Thereafter, subject to the waiver at the special general meeting being approved by shareholders as aforesaid, the SRP will rule on the requirement for a mandatory offer.
- 4.9 In terms of the Code, the directors must ordinarily obtain an independent expert opinion ("the independent fairness opinion") as to how the affected transaction will affect SA French shareholders and whether such affected transaction is considered fair or reasonable or both as the case may be. The independent fairness opinion shall be included in the First Circular.
- 4.10 SA French shareholders are advised that SA French has obtained irrevocable undertakings from independent shareholders, representing 28.73% of the total issued share capital of the Company and 51.90% of the total issued share capital, excluding the shareholding of the SAFGT and Speedprops, to vote in favour of the whitewash resolution.

5. Underwriting

- 5.1 The Underwriters have agreed to fully underwrite the SAF rights offer. Accordingly, the SAF rights offer will be 50% underwritten by SAFGT and 50% underwritten by AfrAsia.
- 5.2 In terms of the Underwriting Agreements, an underwriting fee of R1 000 000.00, being 5% of the total underwriting commitment (being R20 000 000.00), is payable to the Underwriters collectively. The underwriting fee is, in the opinion of the Board, not greater than the current market rate charged by independent underwriters and is not subject to any terms that will render the underwriting commission unreasonable or detrimental to SA French shareholders. The payment of the underwriting fee is in accordance with the Companies Act and the provisions of SA French's articles of association.
- 5.3 SAFGT will utilise the proceeds of the underwriting fee to assist it in servicing a loan facility that it has taken on for the purposes of underwriting the rights offer.
- 5.4 The Underwriters have agreed to fully underwrite the SAF Rights Offer subject to the fulfilment of the conditions precedent in paragraph 8 below.

6. Pro forma financial information

- 6.1 The *pro forma* consolidated statement of comprehensive income for the year ended 30 June 2010 and *pro forma* consolidated statement of financial position at 30 June 2010 are the responsibility of the directors and management of the Group, and they have been prepared for illustrative purposes only, in order to provide information about the financial results and position of the Group, assuming the SAF rights offer had been implemented on 1 July 2009 and 30 June 2010, respectively.
- 6.2 Due to its nature, the *pro forma* financial information may not give a fair reflection of the Group's changes in equity, results of operations and cash flows subsequent to the SAF rights offer.

	Before the SAF rights offer ¹ R'000	Adjustments for the SAF rights offer and loans written off R'000	After the SAF corporate actions R'000
Net asset value per share (cents)	28.75		13.26
Net tangible assets value per share (cents)	28.75		13.26
Weighted and actual number of shares in issue at the end of the year ('000)	166 376	400 000 ²	566 376

Notes and assumptions

1. The figures set out in the "Before the SAF rights offer" column above have been extracted from the published audited consolidated financial results of the Group for the year ended 30 June 2010.
2. The SAF rights offer is assumed to have been implemented on 30 June 2010.
3. 400 million rights offer shares are assumed to be issued, at 5 cents each, pursuant to the SAF rights offer, thereby raising capital of R20 million.
4. The net proceeds of the rights offer (after deduction of estimated costs of R2.25 million) have been assumed to be used to repay R6.5 million of interest-bearing loans, R5 million of short-term debts and to provide working capital to the Group.
5. The adjustment to share capital and share premium represents the share capital and share premium arising from the issue of 400 million SAF rights offer shares of 5 cents each, net of estimated costs related to the SAF rights offer of R2.25 million.
6. The amount of loans written off is based on an irrevocable undertaking by the lenders to write off 50% of the combined amounts owed to them totalling R9.535 million, following the successful rights offer.

7. Special General Meeting of SA French Shareholders

- 7.1 SA French shareholders will be required to consider and approve the increase in authorised share capital, the waiver of the mandatory offer and such other resolutions as may be necessary to implement the SAF rights offer.
- 7.2 A special general meeting of SA French shareholders is expected to be convened for Friday, 15 April 2011 for the purpose of considering and if deemed fit, approving the resolutions contemplated above.
- 7.3 A notice of the general meeting will be included in the First Circular.

8. Conditions Precedent

- 8.1 The SAF rights offer is conditional upon, *inter alia*:
- 8.1.1 the approval of the SAF rights offer circular, as contemplated in paragraph 9.3 below, by the JSE;
- 8.1.2 the passing of any shareholder resolutions required to implement the SAF rights offer;
- 8.1.3 the registration by the Registrar of Companies of all documents required in respect of the SAF rights offer;
- 8.1.4 South African Reserve Bank approval;
- 8.1.5 granting of the ruling by the SRP waiving the mandatory offer as detailed in paragraph 4.4 above; and
- 8.1.6 such regulatory and other approvals that may be required including the required shareholder approvals.

9. Important dates and times and Documentation

- 9.1 A further announcement, containing such further information as may be required, including the salient dates and times in respect of the SAF rights offer, will be made in due course.
- 9.2 The First Circular containing full details of, *inter alia*, the increase in the authorised share capital of SA French, the waiver of the mandatory offer and the notice convening the special general meeting, is expected to be posted to SA French shareholders on or about 24 March 2011.
- 9.3 A second circular containing full details of the SAF rights offer will be posted to SA French shareholders on or about 16 May 2011.

10. Withdrawal of cautionary announcement

- The further cautionary announcement dated 26 January 2011 is accordingly withdrawn and shareholders are advised that they are no longer required to exercise caution when trading their securities in the Company.

16 March 2011
Sandton



PSG CAPITAL
Designated
Advisor



DLA Cliffe Dekker
Hofmeyr Inc



Corporate Advisor
and Joint Underwriter