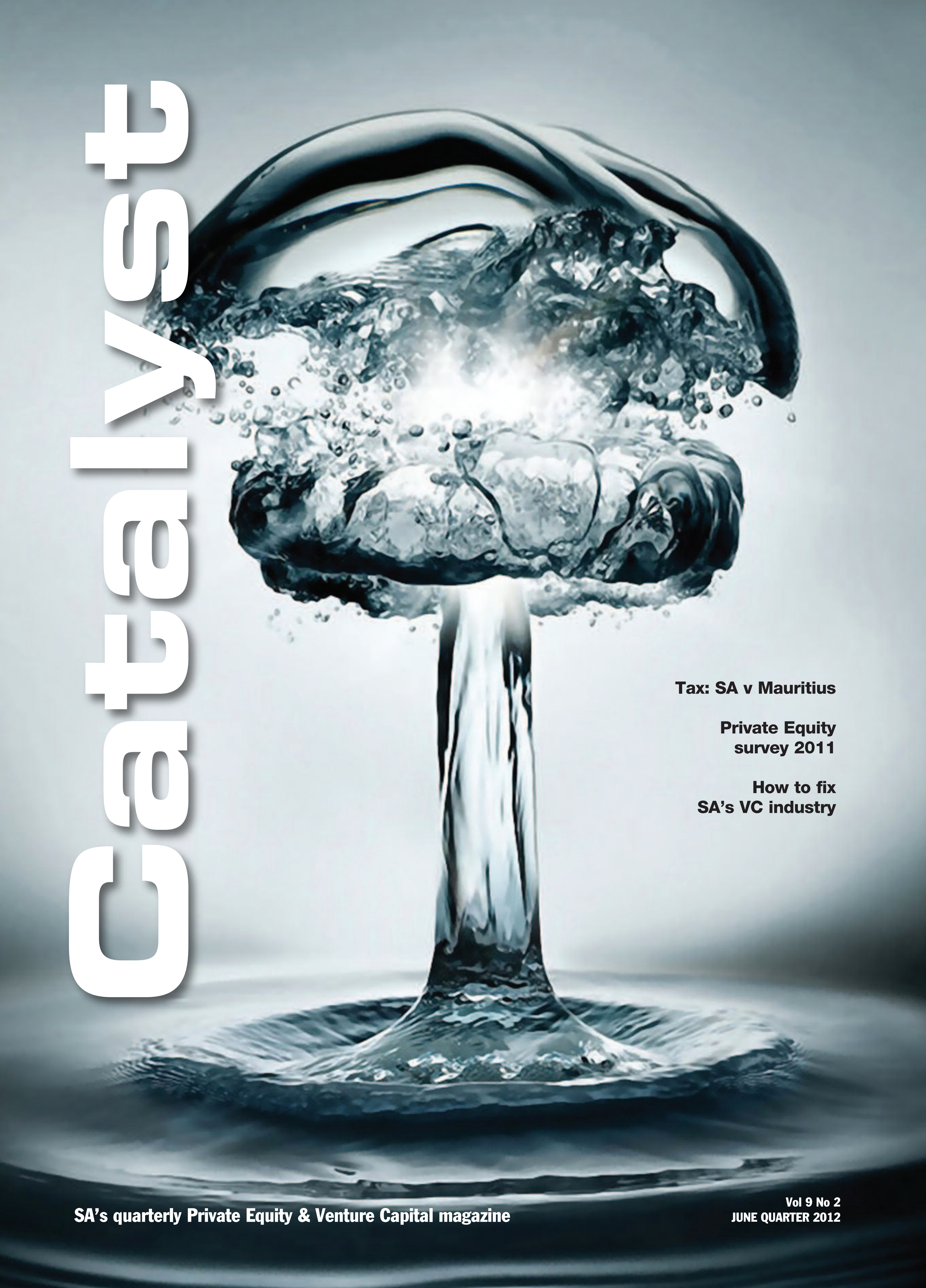

Catalyst

Tax: SA v Mauritius

Private Equity survey 2011

How to fix SA's VC industry

SA's quarterly Private Equity & Venture Capital magazine

Vol 9 No 2
JUNE QUARTER 2012

FROM THE EDITOR'S DESK

How does an unproven, bright and undoubtedly eager fund manager raise capital when Limited Partners want to see some sort of track record? It's a chicken and egg scenario that pops up as a recurring conundrum when I talk to new entrants on the private equity scene. It's a challenge (centred on experience) that manifests in a similar manner in other sectors of the economy as South Africa grapples with the best way to provide a gap for young entrants into an unnecessarily tight labour market.

When a paper arrived in my inbox from SAVCA, published by the esteemed Kellogg School of Management, entitled *Private Equity Growth as Public Reward*, I was naturally intrigued.

As it turns out this issue forms one of the main focus areas of the Kellogg study published in May this year.

The research team concentrated their time interviewing local fund managers (captives and independents), development finance institutions, Limited Partners, and the industry organisation SAVCA.

What was distilled from countless hours of jaw-jaw and data collection is broken down into two key areas. What works and what needs fixing.

South Africa can be proud of the parts of the private equity industry that work well.

It's maturing, though still exhibits the growing pains of youth such as the even split between captives and independents. Ideally this should be closer to 80% independents but we're heading in that direction as the weighted cost of private equity capital becomes too onerous for banks to bear.

The authors observe the trend, discussed in some length at the unveiling of the annual KPMG SAVCA Private Equity Survey (see page?), that fewer SA-only funds were being raised to accommodate a broader geographical allocation of around 20-30% investment in the rest of Africa.

This is due, in part, to the Treasury's strategy of establishing South Africa as a regional private equity hub through the enactment of various changes to exchange control regulations and tax requirements to compete with the likes of Mauritius (see page ?).

South Africa has also outperformed its BRICS' peers in terms of ease of doing business and, surprisingly, corruption (though Russia, India and China are no paragons of virtue by way of benchmarking) thus making the country a standout destination for private equity investors.

It's in the 'what needs fixing' column that most captured my attention though.

For one, it was suggested that an incubator fund be established by a local DFI to support new fund managers. The trade-offs and win-wins would ultimately lead to what the paper terms an "[i]ncentive centre of gravity" that would hold the various disparately aligned goals of DFI's and new fund managers together for the greater good of the industry and the South African economy as a whole.

The report goes into some detail about tightening up reporting by new GP's to strengthen the relationship with those post-economic crisis affected LP's. It's surprising to think that this kind of reporting hasn't become institutionalised but clearly there's work to be done here.

All-in-all the conclusions make for an invigorating debate and one which the industry should be engaging in, in order for smaller, yet no less talented, GP's to emerge from under the shadow of the established houses such as Actis, Ethos and Brait.

The news of Julian Williams's untimely death came as quite a shock. I interviewed Williams in January along with his business partners, Dean Richards and James Ngculu. He came across as particularly ambitious and intelligent and his loss, I'm sure, will reverberate throughout the industry. My sincere condolences go to Williams' family and colleagues. ◆

Michael Avery

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Gleason Publications

In the race between Mauritius and South Africa for the most investor-friendly holding company regime for private equity, South Africa is gaining ground on its island rival.

SA gains ground on Mauritius
in race for African gateway status

Doelie Lessing and Daleen Malan

An analysis of the impact of South Africa's latest efforts to establish itself as an attractive gateway into Africa shows that the country is narrowing the gap in terms of tax and exchange controls.

Government is eager to make South Africa a conduit for private equity investments, not only into Africa but also in the rest of the world, and provides significant incentives for this purpose.

Mauritius, with its absence of exchange controls and favourable tax regime for Global Business Companies (GBC1), has long had an edge over South Africa. However, the latter's "sincere effort" to create a more conducive environment through its headquarter company (HQ) regime appears to be producing results.

There are even areas where South Africa is slightly more attractive as a holding jurisdiction for private equity. South Africa has almost twice as many double tax treaties as Mauritius, with 70 treaties currently in force, compared with Mauritius's 36.

Contrasting tax treaty networks

South Africa's treaty network allows for treaty relief in almost every continent of the world, including Australia, North and South America, Africa and Europe.

The Mauritius treaty network is, on the other hand, more focused on specific jurisdictions such as India and China and notably does not have treaties with Australia, Brazil, Canada, Ireland, Japan, Malta, Netherlands, New Zealand, Russia, Switzerland and the United States.

Lessing

That said, some of Mauritius's treaties with African countries are more favourable than South Africa's. This could be an area for South Africa to target for improvement, especially considering the massive interest worldwide in African investment.

Though important, tax treaties are only one of several aspects that private equity investors would take into account when choosing a gateway into Africa, others being exchange controls and local tax benefits, as well as how easy it is to apply for incentives.

Neck and neck on qualifying criteria

When it comes to qualifying for the tax benefits offered by both regimes, Mauritius and South Africa are not far apart. It appears that Mauritius weighs heavier on the administrative burden side, while South Africa's substantive requirements to qualify for the HQ regime are more stringent.

For example, South Africa prescribes minimum equity interests and voting rights for shareholders in the HQ company, as well as for assets attributable to foreign (non-South African) investment. On the other hand, the country does not insist that the company should have local directors, a local bank account and locally kept accounting records, but it is required that the company's effective management be located in South Africa.

The position in Mauritius is different. Its entry criteria are low but there is a stronger emphasis on a Mauritian presence through central management and control in Mauritius, along with requirements for local directors, local bank accounts and local accounting records.

When it comes to exchange controls, Mauritius is still ahead of South Africa for the simple reason that it has no exchange control rules.

On the other hand, it is generally not difficult to qualify for exemption from the South African exchange rules. Should this prove problematic, it can be overcome. An option would be to

Malan

incorporate the holding company outside South Africa, yet establishing its place of effective management in South Africa. That way, the company will not be subject to the South African exchange controls but may still qualify for the South African tax relief.

Tax relief is a close call

South Africa's HQ company tax regime is more complex than the GBC1 of Mauritius yet the end result is essentially the same – both countries' regimes offer significant tax incentives to private equity investors.

In both countries, there is no tax on dividends declared by the holding company.

In South Africa, dividends received by the HQ company from its foreign subsidiaries are not taxed. In Mauritius, these dividends are taxable at a maximum rate of 3% but reduced by foreign withholding taxes, which often means the effective tax rate would be nil.

Profits and gains generated in the underlying structure are not taxed in Mauritius. In South Africa, HQ companies will not pay tax on these either as they are exempt from the Controlled Foreign Company rules. South African shareholders of HQ companies are, however, not exempt from these rules.

Mauritius does not levy an interest withholding tax and, though the situation is slightly more complex in South Africa, interest payments by HQ companies would often also avoid the soon-to-be introduced interest withholding tax.

In the case of interest received, this is taxable at a maximum of 3% in Mauritius, but may be eligible for reduction by foreign withholding taxes. In South Africa, it is possible to avoid interest receipts in the HQ company by making interest-free loans to subsidiaries. Further, interest paid on money borrowed to on-lend to foreign subsidiaries is tax deductible against interest received from these subsidiaries.

While other interest receipts are subject to the normal tax rules and can in principle attract tax at 28%, this can be avoided by interposing a wholly-owned subsidiary of the HQ company in a tax-free jurisdiction.

No capital gains tax is payable in Mauritius on the disposal of shares in foreign subsidiaries. In South Africa, it is unlikely that CGT would arise on a disposal of shares in underlying investments. That is so because the HQ company would likely qualify for exemption if it held the shares for 18 months or longer and the foreign subsidiaries are not foreign financial instrument holding companies (FFIHCs).

What is more, the 18 months and FFIHC requirements are to be removed in terms of draft legislation.

Next leg of the race

South Africa seeks to improve its African gateway status further and is considering introducing an investment manager exemption to prevent foreign funds from being tax resident in South Africa by virtue of their fund management activities.

Specific provisions have yet to be finalised. On the face of it, however, it appears that the investment manager exemption, coupled with the HQ company regime, could very well score South Africa another point against Mauritius in the race for the most attractive and appropriate appropriate holding company jurisdiction. ◆

Lessing is a Director, and Malan an Associate, at Werksmans Attorneys

You know private equity is in the doldrums when only a handful of journalists enjoy the generous hospitality at KPMG's Wanooka Place offices in Parktown for the launch of the annual bellwether survey on the state of the industry.

Annual private equity bellwether treads water

It's not entirely scientific, but based on the report released for the 12th year running by KPMG and SAVCA (The SA Private Equity and Venture Capital Association), it appears to be an apposite indicator.

Last year, the local private equity industry managed to maintain its position, which, of course, is a polite way of saying nothing much happened. The number of deals concluded was down to 521 from 2010's 547 but at least, encouragingly, the value of these increased by 32,2% to R15,6bn.

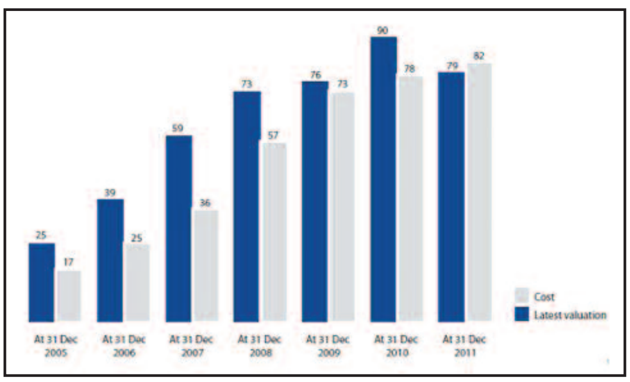
The irrepressible and equally indubitable Warren Watkins, Clients & Sectors Head, Private Equity at KPMG in South Africa, reckoned the survey "highlighted the resilience of our industry in the face of difficult market conditions."

Of the R15,6bn invested in 2011, R8,6bn went into follow-on investments, with the remaining R7bn targeting new investments. This is the first year in which the proportional value of follow-on investments has outweighed that of new investments. It means that, while fund managers are more buoyant in their outlook for the asset class, they're still cautious about where and how they invest their funds.

"We're seeing more bolt-on activity, with fund managers investing in the growth of existing portfolio companies. In the current global financial turmoil, this offers a more secure investment option," says Watkins.

Investment activity by independents represented 0,17% of South African GDP – internationally considered a proportionately strong contribution to economic activity. This compares with the UK's 0,75% and the US's 0,98% . Israel boasts the highest at 2,05% . Of the BRICS nations, only India saw a higher private equity contribution to GDP at 0,33% than South Africa. The figure for China is 0,14%, 0.01% for Brazil, and 0,08% for Russia.

Unrealised investments at year end – cost compared to valuation



For the first time in the Survey's history the total cost of investments exceeded valuation at year end, a worrying situation that will be closely monitored to see if a trend starts developing.

The R34,1bn pool of undrawn commitments will not only continue to drive efficiency in South Africa's capital markets, but prepares the industry to capitalise on future investment opportunities as they present themselves. "A portion of this ammunition is earmarked for investment north of our border, and as soon as the market returns to its confident past, we can expect an increase in new investments," comments Watkins.

> "We're seeing more bolt-on activity, with fund managers investing in the growth of existing portfolio companies. In the current global financial turmoil, this offers a more secure investment option." Warren Watkins.

Warren Watkins

Private equity fund-raising for the full year ended lower than in 2010, but still generated a healthy R8,3bn. This was in line with a global drop-off in fund-raising, due predominantly to the cautious investment views of most funders.

The majority (75%) of third-party funds raised by South African fund managers came from local sources – almost more than double the 38,7% raised locally in the previous year. In addition to the difficult global economic climate, this leap is most likely a result of the change to Regulation 28 of the Pension Funds Act.

This clause allows local institutional investors to increase their commitments to private equity funds. "The increase of local investment into the private equity industry certainly comes off the back of the changes to Regulation 28. I envisage that the disproportionate geographic weighting toward locally biased fund-raising is a once off and will return to a 50:50 representation in the next couple of years," says Watkins.

In another first for 2011, a record R25,7bn was returned to investors. "Last year, we saw a number of successful exits, which presented a significant reward for investors who waited patiently for returns during the global financial crisis."

The private equity industry again entrenched and facilitated Black Economic Empowerment through both its management companies and their portfolio investments. Investments classified as non-empowered account for less than 25% of the industry's total funds under management.

South African private equity is set to maintain a significant amount of funds under management. Future fund-raising should increase and most predict deal activity will improve. Though nobody **Catalyst** spoke to is brave enough to say exactly when that future will be. ◆

The African technology revolution is creating a new wave of investment opportunities, says leading growth equity fund manager.

Afritechnolution

It's quite surprising to hear that, in today's age of instant information in the globally smaller village, there are still so many misinformed stereotypes of Africa as the Dark Continent. Global investors are missing out on innovation-driven opportunities in Africa because of the undying stereotype, says Cape Town-based private equity fund manager Knife Capital.

Eben Van Heerden

"At a recent European investment conference on private equity and venture capital in Africa we were frankly surprised by how little many people knew about the technology revolution on the continent," says Knife Capital co-founder Keet van Zyl. "There was a distinct attitude that African technology is an oxymoron."

The evidence, says Van Zyl, suggests otherwise. "There are 45 collaborative technology hubs in Africa that are training and connecting tech entrepreneurs and encouraging open innovation. Some of the results are already attracting global attention, like Kenya's M-Pesa mobile-phone based money transfer service. MXit is the largest social network in Africa and cloud orchestration software (that's online storage) venture Nimbula has been backed by Sequoia Capital and Accel Partners."

This is precisely where Knife Capital CEO Eben van Heerden says he wants to focus his attention. "We invest in high-growth knowledge or tech-enabled African ventures that are scalable and post-revenue. Mark Shuttleworth's HBD Venture Capital Fund, which we manage, has already made some very successful and high-profile exits."

The exits include CSense Systems, a rapid process troubleshooting and improvement software company that was sold to General Electric Intelligent Platforms in April 2011 for an undisclosed sum. In June 2011, Visa acquired mobile financial services provider Fundamo for US$110m and paid-search marketing company Clicks2Customers was sold to a South African strategic investor.

"We think it's particularly significant that we exited to two Fortune 500 companies," says Van Heerden. "That's the strongest testament we can think of to the quality of tech innovation coming out of Africa."

As for investor returns, says Van Heerden, "Africa has extremely favourable capital demand and supply dynamics, which means we can analyse and negotiate investments from a position of strength."

The IFC, one of the most active players in frontier markets with a 25% exposure in sub-Saharan Africa, generated an annualised return of 22,2% on its private equity investments over the past ten years. By comparison the Cambridge US Private Equity index generated returns of 11,4% and its Emerging Markets index generated 12,1%.

Van Heerden says Knife Capital is working on its next exit, and is "on track with our objective of realising annualised returns in excess of leading frontier market investors."

In recognition of this track record, Acquisition International (AI) magazine recently named Knife Capital South Africa's Venture Capitalist of the year. Kathryn Turner, Chief Coordinator of the AI M&A Awards, said the winners had defeated the odds in times of global uncertainty. She adds that while it is hard to predict M&A deal values and volumes, "I'd place my bets on a proven, award winning deal team."

"Knife Capital is an experienced independent fund manager in the early-stage investment space," says well-known South African investment manager Liston Meintjes. "That gives them first mover advantage and access to quality dealflow. They're making an impact in the local entrepreneurial ecosystem with innovative funding models and an exit-centric investment focus that is executed with a hands-on approach." ◆

Actis exits Accra Mall

Actis, the pan-emerging markets private equity firm exited its 85% shareholding in Accra Mall, selling the stake to South African commercial and retail property developer, Atterbury, and financial services group, Sanlam in May.

Accra Mall is Ghana's first A-grade shopping and leisure centre, home to international brands such as Shoprite and Game, as well as Ghanaian brands including Kiki Clothing and Nallem.

This strategic trade sale demonstrates an increasing interest in Ghana by foreign investors and also reflects the acute demand for high quality real estate assets in sub-Saharan Africa.

Actis managed the development process, invested the equity and raised the debt to finance the project, working in partnership with renowned Ghanaian entrepreneurs, the Owusu-Akyaw family. The mall opened its doors in July 2008 fully let, and today attracts 135 000 shoppers each week.

David Morley, Head of Real Estate at Actis said the sale reflects the serious interest of quality institutional investors in sub-Saharan real estate assets.

"The development of Accra Mall came at a time when Ghanaians still sourced even basic goods from London and Johannesburg. Now they can buy products locally with pride," says Morley. "We are extremely pleased with what we have achieved here, in partnership with the Owusu-Akyaw family. Accra Mall's success gives us great optimism for our upcoming projects in Accra, both our mixed use development in the Airport area, and One Airport Square."

Actis is sub-Saharan Africa's most experienced private equity real estate investor. Since 2004, Actis has developed ten institutional quality assets in seven countries in sub-Saharan Africa including other A-grade retail malls: Ikeja City Mall and The Palms in Lagos, and The Junction in Nairobi. Actis intends to initiate and develop real estate projects worth US$500m in sub-Saharan Africa over the next three years. ◆

Venture capital has the potential to play a pivotal role in the country's search for a cure to its unemployment ills. However, the sector needs fixing through a multi-pronged approach.

Venture capital enigma

Stephan J Lamprecht

The famous Mona Lisa painting in the Louvre is one of the world's most recognised and talked about art pieces. And there's that infamous smile splitting the world along the lines of glass-is-full ("she's smiling") versus glass-is-empty people.

Venture Capital (VC), especially in emerging markets like South Africa, has drawn no less discussion amongst academics, governments, and entrepreneurs. VC – equity funding of risk type investments in early stage high-growth businesses – has been around for many years. Yet there's no conclusive view on what role it should play in the fortunes of emerging countries wanting to compete globally, nor standardised and proven business models and policies for macro-economic adoption of VC.

A comprehensive survey of VC in SA was completed in 2010 by SAVCA (Southern African Venture Capital Association) and Venture Solutions, (SA based innovation and commercialisation consultancy). It considered VC type deals between 2000 and 2010 and found roughly 300 individual transactions amounting to almost R3bn, with an average deal-size of R10 million.

The research is currently being updated, considering transactions over the last three years (2009 to 2012).

Remarkably, despite the on-going recession and challenges in accessing institutional funding for VC, the upward trend has continued: more VCs, more investments, and, especially impressive compared to previous data, more positive returns to investors through a number of successful exits (i.e. VCs able to achieve ROI by selling their equity stakes in investments to third parties) such as VISA's US$100 million acquisition of Cape Town based Fundamo.

The majority of investments went to ICT type, start-ups, defying the notion that there's no money for ideas in SA. In fact, recent data shows an even bigger allocation to start-ups, compared to the 2010 survey.

New data further shows that VCs were able to raise funding from third parties, found suitable high-growth opportunities for investment and used their funding and expertise to achieve returns often outpacing other investment classes. Such investors are not limited to VCs themselves but also include Angel Investors, corporate investors (Vodacom, Anglo and MIH/Naspers), and private equity, now and then dabbling in early stage deals.

There is also more money flowing into VC, including FNB's support of Edge Growth, a social investment fund, and global players like Google and eBay founder's Omidyar Network setting up shop. Two established SME instruments have sniffed opportunity in the domain of public funded research (university and CSIR-type deals) - a void created by the DST's Technology Innovation Agency's inability to get its house in order - offering facilities bordering on seed funding to assist universities.

The picture is rosy, even downright impressive. Mona Lisa is indeed smiling.

Until you speak to an entrepreneur. Raising money in SA is one of the hardest things to do. VCs (vulture capitalists in the parlance of thwarted entrepreneurs) are apparently too risk-averse, unable to see the hidden "value" in proposals. VCs are regularly cited as the single biggest impediment to achieving SME development in SA.

Mona Lisa isn't smiling; she's gritting her teeth to hide an oncoming fit of rage!

So which is it; smiling or not?

SA VCs on average in the last five years invested between R300 and R500 million per year. But the local Private Equity industry alone exceeds R 100 billion! The JSE's market cap tops a trillion Rand!

The largest of our 26 universities have multimillion rand research portfolios, churning out science and engineering talent. Government alone has ramped up R&D funding over the last ten years; and home-grown multinationals are absorbing tech businesses through mergers and acquisitions.

Why then is R500 million per year not R 5 billion?

Several theories come forth. VC is a niche industry and too much is expected of it. Investors follow the money. Those that choose this space have developed sophisticated models and skills to mitigate impossible conditions. Local VC is nevertheless dismissed as flash-in-the-pan by our insurance industry and large banks (institutional investors that typically fund VCs in developed markets) despite continued successes and impressive growth in number of deals and exits. Apparently, they were lucky. For ten years?

Our markets currently cannot accommodate suitable numbers of high-growth scalable businesses needed to justify bigger numbers of VC deals. Why not?

High-growth businesses need access to large markets. This is true not only for start-ups, but a feature that's seen the world's start-up funding concentrated in few places, like Silicon Valley, Boston and London. Not every widget and website has the legs to satisfy consumers.

Lamprecht

On top of that SA's regulatory conditions make it challenging for VC's to partner with international entities for next-round funding. Cape Town based Clickatell eventually secured follow-on funding from Silicon Valley's Sequoia Capital, almost missing the limited window of opportunity due to considerable time needed to obtain Reserve Bank approval. In many instances, SA investors have to exit in full, before such regulatory approval can be obtained to move assets (IP) offshore. This means that local investors are left in the cold when the next round's investor does an IPO on NASDAQ, or sells on to Google, despite us doing the upfront hard work. We take the risk, they make the money.

Entrepreneurship researcher Venkataraman demonstrated that the primary failure of emerging economies to adapt a start-up culture, is that established sectors (mining, financial services, government) attract all talent away from entrepreneurial activities, outcompeting start-ups for access to energy, enthusiasm and opportunity. Who wants to face uncertain markets and frustrations of inability to pay employees at month-end, when young graduates can rather tap lucrative salaries from large banks or consulting houses? BMW over bankruptcy at age 24: duh!

The situation has appeared on government's radar, taking up the plight of the entrepreneur as a key motivator for schemes to support SME finance (e.g. Khula), VC (e.g. IDC Venture Capital unit) and technology based high-growth ventures (e.g. Technology Innovation Agency). But government funding, and support instruments especially, are struggling to locate suitable talent, aggravated by the needs to prioritise for social transformation. A recent gathering of close to 1, 500 bright-eyed youngsters in online and mobile media in Cape Town showed that we definitely have what it takes. But how many of those will leave the comforts of formal employment and start their own businesses? Public funding and limited access to VC equates to talent simply doing the sum of who's going to be putting bread on the table in six months. Salary wins.

I'm not saying we should place our hopes on web pages and entertainment apps. SA needs new enterprises commercialising solid technology and IP, creating sufficient barriers to entry to achieve market credibility and attract customers. That's impossible if ideas are me-too at best.

We need substantially more science and engineering research to fuel high-growth start-ups. The average age of successful US entrepreneurs is 39 years, reported recently in MIT's Technology Review. More successful entrepreneurs were found in their 60s than 20s! Its imperative for SA to fix the poor rate of university and science council research translated into start-ups, another key finding from the VC survey.

20 to 30 VC deals per year, half of which is siphoned off to follow-up funding of existing deals, mean that only 10 or 20 of those 1,500 conference attendees will find money for their start-ups. And that's just Cape Town. We need substantially more deals.

Who should make this happen? Private investors pursuing VC do so for profit potential and risk appetites. Exponentially better tax regimes, incentives, and match funding are some of the options considered to get private investors to do more.

Another option is for government to get in there themselves. But public funded VC has mostly been a disaster, not only in SA but also globally, reported through research and work of Harvard Professor Josh Learner, a recent consultant to both TIA and the IDC.

Fixing VC is not an easy challenge. A multi-pronged approached is required to increase research output, improve start-up proposals, offer better tax and other incentives, and create a more conducive market for SMEs.

Whether smiling or not; one thing's certain in coming face to face with the real Mona Lisa: the picture is substantially and disappointingly smaller than expectations. ◆

Stephan J Lamprecht, is founder of Venture Solutions. He advises start-ups and firms looking to drive technology commercialisation

PRIVATE EQUITY DEALS H1 2012 – SOUTH AFRICA

NATURE	PARTIES	ASSET	ADVISERS	ESTIMATED VALUE	DATE
Acquisition by	Standard Chartered Private Equity	minority stake in ETC Group Mauritius	Norton Rose	$74m	Jan 17
Acquisition by	RMB Corvest and Shalamuka Capital	majority shareholding in DLM		not disclosed	Jan 24
Acquisition by	Ethos Private Equity Fund VI	72% stake in Kevro	Webber Wentzel	R850m	Jan 30
Acquisition by	Agri-Vie	37% stake in HIK Abalone Farm		not disclosed	Feb 15
Acquisition by	Capitalworks	majority stake in Duro Pressings		not disclosed	Feb 16
Disposal by	Ethos Private Equity Technology Fund One to Atio	shares held in Atio		not disclosed	Mar 2
Acquisition by	Capitalworks	stake in Rosond		not disclosed	Mar 16
Acquisition by	RMB Corvest and Shalamuka Capital	37% stake in Fintech	Cliffe Dekker Hofmeyr	not disclosed	Mar 22
Acquisition by	RMB Corvest and Zico	25% stake in Vital Products		not disclosed	Apr 23
Acquisition by	Consortium of key management, RMB Ventures, RMB Corvest, Pan-African Private Equity Fund 1 and the Oppenheimer family's Stockdale Street private equity vehicle	management buyout of JoJo Tanks		not disclosed	May 2
Acquisition by	Ethos Private Equity	12m shares in Transaction Capital		R100m	May 3
Disposal by	Actis to Atterbury Investments	85% stake in Accra Mall, Ghana		not disclosed	Jun 1

PRIVATE EQUITY DEALS H1 2012 – REST OF AFRICA

COUNTRY	NATURE OF DEAL	DETAILS	ADVISERS	ESTIMATED VALUE	DATE
Cote d'Ivoire	Sale by	Cauris Croissance of it's stake in Petro Ivoire		not disclosed	Mar 9
Egypt	Sale by	Golden Crescent Investments (Citidel Capital) to Sea Dragon Energy of 100% of it's interest in National Petroleum Company Egypt		$147,5m	Jan 9
Ethiopia	Acquisition by	Duet Africa Private Equity (through Duet Beverages Africa) of an equity stake in Dashen Brewery		not disclosed	Jan 31
Ivory Coast	Sale by	Emerging Capital Markets of it's 24.9% stake in Batim Africa		not disclosed	Jan 31
Kenya	Acquisition by	Emerging Capital Partners of a majority stake in Nairobi Java House	Bowman Gilfillan	not disclosed	May 28

Local and International news

National news

In news that was welcomed by the private equity industry with a collective sigh of relief, and viewed as the Financial Services Board finally "coming to its senses," an interim exemption notice was issued exempting pe-practitioners from writing the FSB exams meant for entry level financial service providers.

SAVCA said it will "continue to engage with the FSB on the implementation of Cat VI (a specific licence category for Private Equity) and on an exemption from certain Cat II requirements which are difficult for current Cat I PE financial services providers to meet when they change from Cat I to Cat II as result of the requirements of Regulation 28."

After a successful six-year partnership, Ethos Technology Fund I has exited its investment in South African ICT provider ATIO. This transaction enabled BEE group, Thuthukani, to partner the management team and become ATIO's majority shareholder.

ATIO provides integrated communication services such as contact centres, converged networking, unified communications, mobility and IP telephony. The company also offers performance management services focusing on wireless network optimisation, and cloud-based training solutions and services.

Viridis Africa 2012, the premier clean technology venture capital, private equity and debt financing event on the African continent, will be held on 16 & 17 October 2012 at the Killarney Country Club, in Lower Houghton, Johannesburg.

IFC, a member of the World Bank Group, unveiled an equity investment of US$35m in the Convergence Partners Communications Infrastructure Fund to support more rapid development of information and communications technologies across Africa.

The fund is expected to play an important development role in Africa, where ICT infrastructure bottlenecks impede the growth of business and companies lack access to finance, especially risk capital and related expertise from investors that can help businesses succeed.

The fund will be managed Convergence Partners Management, which is chaired by Andile Ngcaba,

International

A man the **Sydney Morning Herald** has dubbed a "corporate terrorist" has inadvertently shone an uncomfortable light on Australia's strict continuous disclosure laws and how companies apply them.

This follows a US$1,7bn offer for Australia's second largest retailer, David Jones, in July by a mysterious bidder, EB private Equity. The offer would have been the biggest retail takeover in the country since Wesfarmers paid Aus$15,2bn for Coles Group in 2007, according to data compiled by **Bloomberg**. David Jones, founded in Sydney in 1838, rose the most in 17 years on June 29 after it announced the proposal. EB withdrew the bid July 2, wiping off 79% off the previous session's share price gain.

It was later discovered that EB's UK address is a rented mailbox at the same address as a company with one pound (US$1,57) in assets whose only director shares the name of EB's chairman, John Edgar.

David Jones defended itself, saying it was only following the letter of disclosure regulations but investors and lawyers alike have demanded explanations as to why more due diligence wasn't carried out before the fake bid was announced to market.

The unintended consequence of nanny states perhaps?

Reuters reports that any German politicians hoping private equity investors will cough up some of the billions needed to finance the shift to green energy should probably think again, if comments at an industry conference held in June are anything to go by.

Speakers at the conference said renewable energy projects, vital if Germany is to achieve its goal of a sustainable shift away from nuclear power, were too bound by red tape to be an attractive destination for the huge sums which private equity firms allocate.

"If something is heavily subsidised and regulated, we keep our hands off of it," Ralf Huep, a manager at UK-based private equity fund Advent International, told the Private Equity 2012 conference organised by *Handelsblatt* newspaper.

Investment opportunities in general for private equity in Germany are bleak according to ***Reuters*** and unlikely to improve for at least 12 to 18 months, as the euro debt crisis rumbles on.