

**COMPETITION TRIBUNAL
REPUBLIC OF SOUTH AFRICA**

Case No: 43/LM/May05

In the large merger between:

Kumnandi Food Company (Pty) Ltd

and

Republiek Voedsel (Pty) Ltd

Reasons for Decision

APPROVAL

On 20 September 2005 the Competition Tribunal issued a Merger Clearance Certificate approving the merger between the Kumnandi Food Company (Pty) Ltd and Republiek Voedsel (Pty) Ltd in terms of section 16(2)(a). The reasons for the approval of the merger appear below.

The Parties

1. The acquiring firm is Kumnandi Food Company (Pty) Ltd. ("Kumnandi"). Kumnandi is held as to 49% by Investec and as to 51% by Audentis Investment (Pty) Ltd ("Audentis") the investment vehicle through which management of the company is holding its share in Kumnandi. Audentis comprises individual shareholders.
2. The primary target firm is Republiek Voedsel (Pty) Ltd ("RV"), controlled by five shareholders. RV controls Repvoed which does not own any firm. The present shareholders of RV are:

Voedsel Vier	51.55%
CMB Nominees (Pty) Ltd	5.59%
PZ Burger	5.71%
Investec Employee Benefits	5.88%
DD Weinberger	3.21%

The Merger Transaction

3. This transaction constitutes a management buy-out in terms of which the businesses of RV and Repvoed are being purchased by Kumnandi as going concerns. The transaction consists of two stages, and notification is triggered by the first stage.
4. In the first part of the transaction, Kumnandi is purchasing the entire share capital of RV. Post-merger, Kumnandi will therefore be the sole shareholder of RV.
5. The second part of the transaction, is conditional on the first part taking place. It entails a transfer of RV (as a wholly-owned subsidiary of Kumnandi) in terms of an intra-group transaction in terms of section 45 of the Income Tax Act 58 of 1962.

Rationale for the Transaction

6. The RV and Repvoed businesses will be transferred to Kumnandi to facilitate their expansion and transfer equity to previously disadvantaged individuals. It would also enable the development of Kumnandi's computer systems to facilitate real time management of its franchised outlets. The current shareholders are selling for various reasons including the fact that they have become risk averse; the need to become BEE-compliant, coupled with their long-term intentions to disinvest.

The relevant product and geographic market

7. Kumnandi is a new company that has not commenced trading yet. Investec is a provider of financial services. RV hold franchise rights given to them by Kentucky Fried Chicken International Inc. to run quick service restaurants and sell them under the KFC trademark. RV and Repvoed operate 42 KFC outlets across four provinces in South Africa.
8. There is no product overlap.

Effect on Competition

9. Post-merger, Kumnandi will manage the 42 outlets previously under RV's management.
10. Since there is no product overlap no competition concerns arise from this transaction.

Conclusion

We conclude that the merger will not lead to a substantial lessening or prevention of competition.

The Tribunal therefore approves the transaction unconditionally. There are no public interest concerns which would alter this conclusion.

D. Lewis

20 September 2005
Date

Concurring: M. Mokoena, N. Manoim

For the merging parties:	G. Macan (Kumnandi) and A. Apostolidis (DM Kisch Inc)
For the Commission:	O. Strydom and T. Letsietsa (Mergers and Acquisitions)