THE EFFECTS OF ACQUISITIONS ON VALUE AND PERFORMANCE OF JSE LISTED COMPANIES

BY

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ABSTRACT

Many firms will undertake acquisitions when this is the most profitable means of enhancing capacity; obtaining new knowledge or skills; entering new product lines or geographic areas; or reallocating assets into the control of the most effective managers/owners (Pautler 2001). In addition to this, acquiring firms also seek to deal with overcapacity through consolidation in mature industries and exploit eroding industry boundaries by inventing a new industry (Bowler 2001). The ultimate goal is to improve shareholder value and financial performance. This research investigates the impact of acquisitions on shareholder value and operating financial performance for JSE listed acquiring companies.

Cumulative Average Abnormal Returns (CAARs) and Industry Adjusted Cash Flow Return on Tangible Assets (IACRTA) are used as measures of shareholder value and financial performance respectively. Furthermore, statistical t-tests are used to determine the significance of these calculated measures.

It is shown that shareholders of acquiring companies do not earn significantly positive or negative CAARs over the 3 day [-1,+1], 5 day [+2,-2] and 11 day [-5,+5] windows. Over the 21 day [-10,+10] window, investor value is destroyed as the CAARs earned are significantly negative. In addition, while share-funded transactions outperform cash-funded acquisitions over the 5 day [-2,+2] window, cash-funded acquisitions dominate over the 3 day [-1,+1], 11 day [-5,+5] and 21 day [-10,+10] windows,

This research also proves that the median IACRTA of acquiring companies, a year after an acquisition, does not significantly exceed median IACRTA before such an acquisition. However, the change in the median IACRTA a year after an acquisition for cash-funded transactions is significantly greater than the corresponding change in share-funded acquisitions.

DECLARATION

I, Kudzai Tapiwa M'kombe declare that this research report is my own unaided work. It is submitted in partial fulfilment of the requirements of the degree of Master of Business Administration at the University of the Witwatersrand, Johannesburg. It has not been previously submitted for any degree to this or any other university.

Kudzai Tapiwa M'kombe

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DEDICATION

This work is dedicated to my parents Harry & Tracey M'kombe, for all their support and encouragement that enabled my sustained commitment to this project. And finally to God Almighty through whom all things are possible.

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1 INTRODUCTION

1.1 Purpose of the study

The purpose of this research is to determine the effects of acquisitions on JSE (JSE Securities Exchange) listed acquiring companies by measuring acquisition impact on shareholder value and operating financial performance.

1.2 Context of the study

A merger is a transaction where by two companies combine. An acquisition is a transaction in which an individual or company gains control of the management and assets of another company by directly becoming the owner of these assets; or indirectly by obtaining control of the management of the company; or by acquiring the shares or a majority thereof, of the target (Firer, Ross, Westerfield and Jordan 2004).

The volume of world wide mergers increased from 2003 to 2007. Values of USD3.7 trillion and USD4 trillion were achieved in 2006 and 2007 respectively (Cohen 2007). These two values surpassed the highest on record since 2000 when a total value of USD3.4 trillion was recorded (Cohen 2007).

In South Africa, total value of mergers and acquisitions also followed the global trend reaching a value of ZAR514 billion in 2007. This was the highest since a value of ZAR502 billion recorded in 2001 (Cohen 2007).

In early 2007, the mergers and acquisition market in South Africa was extremely buoyant and some of the largest deals in the countries corporate history were announced and completed in that year (Cohen 2007). One such deal is the purchase by Industrial and Commercial Bank of China of a 20% stake in Standard Bank worth ZAR36.7 billion. Not only was this particular transaction the largest deal of 2007, but it was also a reflection of the changing global environment in general, and the rise of the east (Cohen 2007).

The top driver for South African transactions for the past 2 years has been Black Economic Empowerment (BEE). Over the past 11 years, the South African government has put in place a regulatory framework aimed at ensuring the economic empowerment of previously disadvantaged black South Africans. Hence it has become a key commercial imperative for companies aiming to do business in South Africa to ensure that they have sufficient empowerment credentials. In 2007, Sasol Ltd sold a 10% stake to black investors, junior staff, communities and its educational foundation for ZAR17.9 billion to become the largest BEE deal in the country. The second largest BEE deal was the acquisition of a controlling stake in Mutual and Federal Insurance Company Ltd by Royal Bafokeng Holdings for ZAR8 billion.

Up until 2007, South Africa had seen an increase in large private equity deals from prior years. The largest private equity deal of 2007 was the buy-out of Edgars Consolidates Stores Ltd by Bain Capital LLC for ZAR25 billion. The acquisition of Primedia Ltd, by Red Pen Investments for ZAR 6,6 billion is another example of a large private equity deal that took place in recent years (Davids, Yuil and Gilfillian 2007).

However, the storm clouds that were brewing over financial markets during 2007 finally broke in early 2008, with the housing crises in the United States gradually affecting credit markets and causing massive write-downs by some of the most prominent names in global banking (Cohen 2008). During that year, house prices in the United States started falling; sparking what became known as the sub-prime crises. One of the many repercussions of this was the evaporation of cheap debt which is a major resource in private equity transactions (Cohen 2008). As a result a host of private equity transactions that had already been initiated and some already agreed , around the world suddenly had to be halted and restructured (Cohen 2008).

The amount of foreign direct investment over the past few years had also been rising until 2007, particularly from Europe, India, Asia, and the Middle East and to lesser extent the United States. According to Cohen (2007), foreign direct investment was the third highest driver of merger and acquisition activity in 2007. It accounted for deals such as the purchase by Industrial and Commercial Bank of China of a 20% stake in Standard

Bank and the purchase of 50% stake in the Kalagadi Manganese Project in the Northern Cape by ArcelorMittall. Other examples within recent years include the acquisition of a controlling stake in ABSA, one of South Africa's largest banks, by Barclays Bank and the acquisition of the Victoria and Alfred Waterfront, in Cape Town by a Dubai company (Cohen 2007).

The scale and incident of offshore investments by South African companies has also been another major driver of merger and acquisition activity. Examples of this include the acquisition amounting to ZAR19 billion of Hirslanden Finanz AG by Medi-Clinic Corporation Ltd from BC Partners and the acquisition of IBTC Chartered Bank in Nigeria by Standard Bank for ZAR8.9 billion (Cohen 2007).

There are many studies internationally and in South Africa that focus on the impact of acquisitions on the share price of acquiring firms. Sawyer and Peter (1983) explain that replications of major studies with the manipulation of substantive and/or methodological variables are an important means of increasing the confidence in previous findings. The first part of this study is a replication of preceding studies on the impact of acquisitions on the share price of acquiring firms using a unique data set of JSE acquisitions concluded between 1997 and 2007.

Only one study focusing on the impact of acquisitions on operating financial performance has been performed in South Africa. This study, performed by Smit and Ward (2007), focuses on the effects of large acquisitions on operating performance for JSE listed companies that acquired firms between 2000 and 2002. However the maximum sample size of 27 used in this study is not statistically reliable. Hence their findings are subject to a high probability of Type I error. Using transactions occurring between 1997 and 2007, this study uses a more statistically reliable sample size of 51 acquisitions in measuring acquisition impact on financial performance.

1.3 Problem statement

1.3.1 *Main problem*

The purpose of the research is to measure the effects of acquisitions on shareholder value and operating financial performance of JSE listed acquiring companies.

1.3.2 *Sub-problems*

The first sub-problem is the effects of acquisitions on shareholder value for JSE listed acquiring companies.

The second sub-problem is the effects of acquisitions on operating financial performance for JSE listed acquiring companies

1.4 Significance of the study

This study provides business, and in particular companies that are considering acquiring a firm, a context in which their acquisitions will take place. In addition such companies will be able to evaluate whether embarking on acquisitions will increase or destroy shareholder value. Finally, potential acquirers can assess the effect that an acquisition is likely to have on their operating performance, given the observed impact in this study.

1.5 Delimitations of the study

This study focuses on acquisitions, between 1997 and 2007 and the population of relevance was extracted from Bloomberg's data base of mergers and acquisitions. The relevant population from the Bloomberg data base meets the following criteria:

A relevant transaction is one of the following:

a) an acquisition or merger of any entity, whether hostile or friendly

b) a tender or unconditional offer for shares

This applies provided that:

- the acquiring company is listed on the JSE at least one year before and after the acquisition in the case of the operating financial performance study;
- the company did not enter into any large acquisition or disposals during one year before and after the relevant acquisition. For the event study, dividends must not have been paid out within the window period. This excludes the impact of confounding events

Acquisitions with at least 70% of the target value funded by cash will be considered as cash acquisitions, and acquisitions with at least 70% of the transaction funded by shares, will be considered as share acquisitions.

1.6 Definitions and glossary of terms

JSE – JSE, Securities Exchange

CAAR – Cumulative Average Abnormal Returns

IACRTA – Industry Adjusted Cash Flow Return on Tangible Assets

Type I error– A term (also, known as α error, false alarm rate (FAR) or false positive) used to describe possible errors made in a statistical decision process.

2 LITERATURE REVIEW

2.1 Introduction

The literature review explores the motives for mergers and acquisitions, before discussing the impact of mergers and acquisitions on shareholder value and operating financial performance. In addition it zones in on how to measure acquisition impact.

2.2 The motives for acquisitions

Many firms will undertake acquisitions when this is the most profitable means of enhancing capacity; obtaining new knowledge or skills; entering new product lines or geographic areas; or reallocating assets into the control of the most effective managers/owners (Pautler 2001). In addition to this, acquiring firms also seek to deal with overcapacity through consolidation in mature industries and exploit eroding industry boundaries by inventing a new industry (Bowler 2001). The ultimate goal is to improve shareholder value and financial performance. Such motives are generally perceived to be appropriate and clear

There are also cases of merger and acquisition deals that are struck for vague strategic benefits, such as the merging of firms because the two organizations or CEOs are especially friendly (Bruner 2001).

2.3 The effect of acquisitions on shareholder value

2.3.1 Short effects of acquisitions on shareholder value

Investigations into the short term effects of mergers and acquisitions on shareholder value show that for window periods within and between -10 to +10 days around announcement dates, there are statistically insignificant changes in bidder returns (Mulherin and Boone 2000).

Such insignificant changes include a 3.5% increase in returns that Mulherin and Boon (2000) find over a 3 day [-1,+1] event window. Their study considers 281 acquisitions concluded in the United States in the 1990's. In addition, Cheng and Leung (2004) discover an insignificant increase in CAARs of 2.46% over a 21 day window [+10,-10]. Their data set consists of 36 partial mergers that occurred in Hong Kong between 1984 and 1996. Smit and Ward (2007) find an insignificant increase in bidder returns of 4.35% over a 21 day window [+10,-10]. Smit and Ward (2007) also find that the CAARs of cash and share bidders gain insignificant percentages of 11.50% and 1.89% respectively over the same window. Their study consists of 27 large acquisitions by JSE listed acquiring companies concluded between 2000 and 2002.

Mushidzhi and Ward (2004) find an insignificant decrease of 0.55% in CAARs, over a 21 day event window [-10,+10] while conducting a study of 49 acquisitions, by JSE listed companies completed between March 1998 and December 2002. In addition, Mushidzhi and Ward (2004) find that the CAARs of cash and share bidders lose insignificant percentages of 0.94% and 0.28% respectively over a 21 day[-10,+10] event window.

2.3.2 Long term effects of acquisitions on shareholder value

Within the scope of long term acquisition effects on shareholder value, studies show that for post acquisition periods of 3 years and beyond, there are decreases in bidder returns (Rau and Vermaelen 1998); (Agrawal, Jaffe and Mandelkar 1992). Rau and Vermaelen (1998), see that Cumulative Average Abnormal Returns significantly decrease by 15.23% over a 3 year post acquisitions period while Agrawal, Jaffe and Mandelkar

(1992), discover that that the shareholders of acquiring companies suffer a statistically significant value loss of approximately 10% over a five year post merger period.

2.3.3 Measurement of acquisition impact on shareholder value

An event study uses financial market data, to measure the impact of a specific event on the value of a firm (Mackinlay 1997). With regard to mergers and acquisitions, event studies are frequently used to determine if there is a statistically significant difference between actual share returns and expected returns, termed Cumulative Average Abnormal Returns (CAARs), surrounding an event. Mushidzhi and Ward (2004) state that returns on share prices can be based on:

- Share price returns such as the company's average share price returns before the event (Mean Adjusted Model)
- Share price returns on the market over the event window adjusted for the risk of the acquiring company relative to the market (Market Adjusted Model)
- Share price returns on the market over the event window (Market Model)
- The share price returns on a portfolio of control firms over the event window (Control Portfolio Model)

All these models use the concept of residual analysis (Fama, Fisher, Jensen and Rall 1969).

Western, Chung and Siu (1988) use three of these methods, namely the Mean Adjusted, Market Adjusted and Market models to calculate expected returns and they argue that for most of the cases, these three methods produce similar results. Brown and Warner (1980) compare performances of various models which include the Mean Adjusted, Market and Market Adjusted models. They recommend against using other methodologies besides these. Mushidzhi and Ward (2004) use the market model and the market adjusted model and find no significant difference between the two. Smit and Ward (2007) use the control portfolio method and obtain findings consistent with those by

Mushidzhi and Ward (2004). Bhana (2006) uses a portfolio model in measuring the effect of corporate divestments on shareholder wealth.

2.3.4 Hypothesis 1

There seems to be agreement between South African and international literature with the fact that cumulative abnormal returns do not significantly change for short periods around announcement dates. This brings about the first hypothesis for this study.

The null hypothesis states that the shareholders of acquiring companies do not earn significant Cumulative Average Abnormal Returns ($CAARs_{AD}$) around announcement dates of acquisitions. The alternative hypothesis states that the shareholders of acquiring companies earn significant Cumulative Average Abnormal Returns ($CAARs_{AD}$) around the announcement date of acquisitions.

H_O: $CAARs_{AD} = 0$

H_A: $CAARs_{AD} \neq 0$

2.3.5 Hypothesis 2

The literature suggests that the earned Cumulative Average Abnormal Returns around announcements dates for acquiring companies in cash-funded acquisitions are not significantly different to those of share-funded transactions. This brings about the second hypothesis of this study.

The null hypothesis states that shareholders of acquiring companies do not earn significantly different Cumulative Average Abnormal Returns around the announcement dates in cash-financed acquisitions ($CAARs_C$) than in share-financed acquisitions ($CAAR_S$). The alternative hypothesis states that shareholders of acquiring companies earn significantly different cumulative returns around announcement dates in cash-financed acquisitions ($CAAR_C$) than in share-financed acquisitions ($CAARs_S$).

H_O: $CAAR_C - CAAR_S = 0$

H_A: $CAAR_C - CAAR_S \neq 0$

2.4 The effects of acquisitions on operating financial performance

Healy, Palepu and Ruback (1992) and Healy and Palepu (1997) state that post acquisition operating financial performance is studied to determine whether mergers and acquisitions are profitable investments for acquiring companies. This is because operational performance is a representation of the economic benefits that result from mergers or acquisitions as opposed to acquisition announcement returns which are more a representation of investors' expectations of such take over benefits.

The findings on the effects of mergers and acquisitions on operating performance vary. In a study of the post-merger performance of 50 large mergers and acquisitions completed between 1979 and 1984, Healy et al.(1992) find that operating financial performance improves significantly as a result of a merger or acquisition relative to the industry. However Healy et al.(1992) do not investigate the effect of adjusting for other factors such as size and pre-acquisition performance, and it can be argued that their finding would differ if such adjustments are made (Ghosh 2001) ; (Martynova, Oosting, Renneboog, Greg and Luc 2007).

Martynova et al. (2007) investigate 155 European mergers and acquisitions completed between 1997 and 2001, where the acquiring and target companies are from continental Europe and the United Kingdom. Contrary to the findings of Healy et al. (1992), they show that in general profitability of the combined firm decreases significantly following a takeover. However, after adjusting for industry, size and pre-acquisition performance, the combined operating performance of the acquirer and target does not change significantly.

Switzer (1996), investigates the change in operating performance for 324 mergers in the USA between 1967 and 1987. Like Healy et al.(1992) and contrary to Martynova et al.(2007), Switzer (1996) finds that without any adjustments for size, industry and pre-acquisition performance, operating performance of the combined entity significantly improves.

Smit and Ward (2007) perform a study on the 2 year post acquisition performance of acquiring JSE listed companies between 2001 and 2002. They find that large acquisitions do not result in any improvement or deterioration in the financial

performance of the enlarged entity. However, their judgmentally selected sample of 27 acquisitions presents some limitations on statistical inferences that can be made from their study. Rahman and Limmack (2004), look into the acquisition effects using a sample of 94 acquisitions and like Healy et al.(1992) explain that acquisitions lead to a significant improvement in the long run cash flow performance.

Ghosh (2001) investigates 315 large acquisitions, completed between 1981 and 1995, using the same research design as Healy, Palepu and Ruback (1992). Ghosh (2001) proves that operating performance Improves significantly following acquisitions. However once superior pre-acquisition performance and size are accounted for, Ghosh (2001) finds no evidence of improvements in post merger operating performance. In addition, Ghosh (2001) finds that cash flow increases significantly for acquisitions that are made with cash, but decline for share acquisitions. Linn and Switzer (2001) perform an un-adjusted study on a sample of 413 mergers in the U.S.A that occurred between 1967 and 1987. They discover that change in general performance is significantly smaller following a merger. In addition, they find that cash mergers are generally associated with significantly greater increases in operating performance following a merger as compared with share transactions.

2.4.1 Measurement of acquisition impact on operating performance

Healy et al.(1992) and Healy and Palepu (1997) propose that cash flow rather than accounting measures should be used to determine acquisition impact on the operating performance of acquiring companies. In addition, they mention that the performance should be scaled by assets to allow comparison across time and companies. Ghosh (2001) and Healy et al. (1992) define operating cash flows as sales minus cost of goods sold, minus selling and administrative expenses, plus depreciation and goodwill amortisation. Many recent studies such as those performed by Martynova et al.(2007), Rahman and Limmack (2004), Linn and Switzer (2001) and Smit and Ward (2007) also use cash flows as the basis of their measures of post acquisition impact on operating performance.

2.4.2 Hypothesis 3

The findings in the literature on the effect of merger and acquisitions on operating profitability vary. However, since this study is within South Africa, the hypothesis proposed will be based on the South Africa study by Smit and Ward (2007) who also use the methodology by Healy et al.(1992).

The null hypothesis states that the average operating cash flow return on assets one year after the acquisition (CF/A_{POST}) of acquiring companies does not significantly exceed the average operating cash flow return on assets before such an acquisition (CF/A_{PRE}). The alternate hypothesis states that the average operating cash flow return on assets one year after the acquisition (CF/A_{POST}) significantly exceeds the operating cash flow return on assets prior to such an acquisition (CF/A_{PRE}).

H_O: $CF/A_{POST} - (CF/A_{PRE}) \leq 0$

H_A: $CF/A_{POST} - (CF/A_{PRE}) > 0$

2.4.3 Hypothesis 4

The null hypothesis states the change in the average operating cash flow return on assets of acquiring companies one year after an acquisition for cash-funded transactions ($CF/A_{POSTc} - CF/A_{PREc}$) is significantly, greater than change in average cash flow return on assets one year after an acquisition for share-funded transactions ($CF/A_{POSTs} - CF/A_{PREs}$). The alternate hypothesis states the change in the average cash flow return on assets of acquiring companies one year after an acquisition for cash-funded transactions ($CF/A_{POSTc} - CF/A_{PREc}$) is not significantly, greater than change in average cash flow return on assets one year after an acquisition for share-funded transactions ($CF/A_{POSTs} - CF/A_{PREs}$).

H_O: $(CF/A_{POSTc} - CF/A_{PREc}) - (CF/A_{POSTs} - CF/A_{PREs}) > 0$

H_A: $(CF/A_{POSTc} - CF/A_{PREc}) - (CF/A_{POSTs} - CF/A_{PREs}) \leq 0$

2.5 Conclusion of literature review

In summary, the literature suggests event studies and cash flow return on assets are appropriate methodologies for measuring the effects of acquisitions on shareholder value and operating performance respectively. Furthermore it proposes that shareholders of acquiring companies do not earn significant CAARs for short periods around announcement dates of acquisitions while shareholders of acquiring companies earn higher positive CAARs around the announcement dates in cash-financed acquisitions than in share-funded transactions. Finally it advocates that acquisitions do not result in any significant improvement or deterioration in operating performance. However, increase in operating performance of cash-financed acquisitions is significantly greater than the corresponding increase of share-funded transactions.

2.5.1 Hypothesis 1

The null hypothesis states that the shareholders of acquiring companies do not earn significant Cumulative Average Abnormal Returns ($CAARs_{AD}$) around announcement dates of acquisitions. The alternative hypothesis states that the shareholders of acquiring companies earn significant Cumulative Average Abnormal Returns ($CAARs_{AD}$) around the announcement date of acquisitions.

H_O: $CAAR_{AD} = 0$

H_A: $CAAR_{AD} \neq 0$

2.5.2 Hypothesis 2

The null hypothesis states that shareholders of acquiring companies do not earn significantly different Cumulative Average Abnormal Returns around the announcement dates in cash-financed acquisitions ($CAARs_C$) than in share-financed acquisitions ($CAAR_S$). The alternative hypothesis states that shareholders of acquiring companies earn significantly different cumulative returns around announcement dates in cash-financed acquisitions ($CAAR_C$) than in share-financed acquisitions ($CAARs_S$).

H_O: $CAAR_{SC} - CAAR_S = 0$

H_A: $CAAR_{SC} - CAAR_S \neq 0$

2.5.3 Hypothesis 3

The null hypothesis states that the average operating cash flow return on assets one year after the acquisition (CF/A_{POST}) of acquiring companies does not significantly exceed the average operating cash flow return on assets before such an acquisition (CF/A_{PRE}). The alternate hypothesis states that the average operating cash flow return on assets one year after the acquisition (CF/A_{POST}) significantly exceeds the operating cash flow return on assets prior to such an acquisition (CF/A_{PRE}).

H_O: $CF/A_{POST} - (CF/A_{PRE}) \leq 0$

H_A: $CF/A_{POST} - (CF/A_{PRE}) > 0$

2.5.4 Hypothesis 4

The null hypothesis states the change in the average operating cash flow return on assets of acquiring companies one year after an acquisition for cash-funded transactions ($CF/A_{POSTc} - CF/A_{PREc}$) is significantly, greater than change in average cash flow return on assets one year after an acquisition for share-funded transactions ($CF/A_{POSTs} - CF/A_{PREs}$). The alternate hypothesis states the change in the average cash flow return on assets of acquiring companies one year after an acquisition for cash-funded transactions ($CF/A_{POSTc} - CF/A_{PREc}$) is not significantly, greater than change in average cash flow return on assets one year after an acquisition for share-funded transactions ($CF/A_{POSTs} - CF/A_{PREs}$).

H_O: $(CF/A_{POSTc} - CF/A_{PREc}) - (CF/A_{POSTs} - CF/A_{PREs}) > 0$

H_A: $(CF/A_{POSTc} - CF/A_{PREc}) - (CF/A_{POSTs} - CF/A_{PREs}) \leq 0$

3 RESEARCH METHODOLOGY

3.1 Research Design

The research follows a quantitative research methodology. For studying the impact of acquisitions on the share price of acquiring companies, event study methodology is used. This is essentially an investigation into whether a statistically significant difference exists between actual returns on share prices of the acquiring companies and the expected returns over the event window, called Cumulative Average Abnormal Returns (CAARs).

In measuring whether the operating financial performance of acquiring companies improves after acquisitions, cash flow return on assets is used, following Healy et al.(1992). This is defined as sales minus cost of goods sold minus selling administrative expenses, plus depreciation and goodwill amortisation (Ghosh 2001) and (Healy et al. 1992). Furthermore, performance is scaled by assets.

The advantage of using cash flow is that it is not affected by differences in accounting standards and the scaling of performance by assets allows for comparison across time and companies.

3.2 Population and sample

The sample sizes determining acquisition impact on shareholder value are as follows:

a) full sample size of 146 transactions
b) cash-financed sample consisting of 38 transactions
c) share-financed sample consisting of 30 transactions

The remainder consists of transactions financed by a combination of cash and stock or those where the deal financing is not disclosed. Appendices 7.1, 7.2 and 7.3 show the data in these samples.

In the case of the operating financial performance study, the relevant population consists of acquisitions that occurred between 1997 and 2007 where the acquirer was listed on the JSE for a minimum of one year before and after the acquisition. The sample sizes for determining acquisition impact on operating financial performance are as follows:

a) full sample size of 51 transactions
b) cash-financed sample consisting of 23 transactions
c) share-financed sample consisting of 13 transactions

The remainder consists of transactions financed by a combination of cash and stock or those where the deal financing is not disclosed. Appendices 7.4, 7.5 and 7.6 show the data in these samples. Acquiring companies came from consumer, energy, financial, Information Communication (ICT), Industrial and Material industry sectors.

A relevant transaction for this study is determined by one of the following:

c) an acquisition or merger of any entity, whether hostile or friendly

d) a tender or unconditional offer for shares

This applies provided that:

- the acquiring company is listed on the JSE at least one year before and after the acquisition in the case of the operating financial performance study;
- the company did not enter into any large acquisition or disposals during one year before and after the relevant acquisition. For the event study, dividends must not have been paid out within the window period. This excludes the impact of confounding events

Acquisitions with at least 70% of the target value funded by cash will be considered as cash acquisitions, and acquisitions with at least 70% of the transaction funded by shares, will be considered as share acquisitions.

3.3 Research Instrument

The relevant acquisitions for the population were extracted from the Bloomberg data base. The data included share prices, market capitalisation, alphas, betas and accounting data. Bloomberg is an accredited and renowned data source from which a plethora of companies and institutions extract data for their own research.

3.4 Data analysis

3.4.1 Impact on acquisition announcements on share price returns

Event study methodology is used to calculate abnormal share returns around the acquisition announcement date. The event of interest for this research is the announcement of an acquisition. Abnormal returns for each event window are then calculated. Four event windows are studied, namely, the 3 day [-1,+1], 5 day [-2,+2] 11 day [+5,-5] and the 21 [+10,-10] day windows around the announcement date.

Following Mushidzhi and Ward (2004) the predicted return was calculated as follows:

$R_{it} = \alpha_i + \beta_{it} R_{mt}$

Where

R_{it} = the predicted daily rate of return on security i on day t;

R_{mt} = the daily return of the market on day t;

R_{mt} = $\text{Log}\left[\frac{ALSI_t}{ALSI_{t-1}}\right]$

$ALSI_t$ = JSE All Share Index on day t;

$ALSI_{t-1}$ = JSE All Share Index on day t-1;

αi = Measure of the constant return of firm i in the period that is not explained by the market, i.e. the return of firm i when the market

does not move; and

βi = Measures of the sensitivity of firm i to the market; this is the measure of systematic risk of share i. αi and βi were obtained from the Bloomberg data base. For the purposes of this study , α which is the constant for the equation, was divided by the number of trading days used for the regression.

Excess returns or residual in a period was calculated as follows:

$$r_{it} = R_{ot} - R_{it}$$

Where

r_{it} = excess return of security i on day t;

R_{ot} = observed return on day t; and:

R_{it} = $$\text{Log}\left[\frac{P_{it} + D_{it}}{P_{it-1}}\right]$$

Where

P_{it} = Price of security i at the end of period t;

D_{it} = Dividends paid during period t;

P_{it-1} = Price of security at the end of period t –1;

Logarithmic returns are used as they are more likely to be normally distributed and to conform to assumptions of standard statistical techniques (Strong 1992). Dividend related events were considered to be confounding events and excluded from the sample.

For each period in the event time, the abnormal returns are averaged across firms to produce Average Abnormal Returns , AARt, for that period. The reason for averaging

across firms is that share returns are noisy, but the noise tends to cancel out when averaged across a large number of firms (Weston et al.1988).

$AAR_t = \frac{1}{N}\sum_{i=1}^{N} r_{it}$

Where

N = Number of firms in sample

The CAAR technique or method was used for this study.

$CAAR_t = \sum_{t=0}^{T} AAR_t$

Where

$CAAR_t$ = Cumulative average abnormal return at time t;

T = Number of time periods being aggregated.

Two tailed t-tests are then performed at the 5% and 10% significance levels to determine whether the CAARs differ significantly from zero (hypothesis 1). Secondly, the CAARs for cash-funded acquisitions are compared for each event window.

3.4.2 Impact of acquisitions on operating financial performance

As performed by Smit and Ward (2007) the abnormal cash flow return on assets for the years before the merger or acquisition were determined by equation 2 below.

$ACRA_{a+t,y} = ((CF_{a,y} + CF_{t,y})/(A_{a,y} + A_{t,y})) - ICFA_y$ ……. (2)

Where:

$ACRA_{a+t,y}$ = the abnormal cash flow return on assets for the acquiring company a, and the target company t for the year y (before the acquisition), combined on a *pro forma* basis;

$CF_{a,y}$ = the operating cash flow for the acquiring company a for year y (before the acquisition);

$CF_{t,y}$ = the operating cash flow for the target company t for the year y (before the acquisition);

$A_{a,y}$ = the assets of the acquiring company a at the end of year y (before the acquisition);

$A_{t,y}$ = the assets of the target company t at the end of year Y (before the acquisition);

$ICFA_y$ = the median industry cash flow return on assets for the year y (before the acquisition).

Following Smit and Ward (2007) the abnormal cash flow return on assets for the years after the merger or acquisition are determined by the equation 3 below:

$ACRA_{c,y}$ = $(CF_{c,y} / A_{c,y}) - ICFA_y$ ……. (3)

Where:

$ACRA_{c,y}$ = the abnormal cash flow for the combined entity C for year Y (after the acquisition);

$CF_{c,y}$ = the operating cash flow for the acquiring company for the combined Company c for the year y (after the acquisition)

A_{cy} = the assets of the combines company c, at the end of year y (after the acquisition);

$ICFA_y$ = the median industry cash flow return on assets for the year y (after the acquisition).

An analysis of the Cash Flow on Tangible Assets (CRTA), ignoring the acquisition premium (goodwill) paid, which can be approximated to the research design of Healy et al. (1992). is calculated..

The CRTA for each acquisition is determined for one year before and after the acquisition. The mean and Median CRTA for each acquisition is then calculated for each year. The mean IACRTA is calculated as the mean cash flow return on tangible assets less the industry median cash flow return on tangible assets, while the median IACRTA is calculated as the median cash flow return on tangible assets less the industry median cash flow return on tangible assets. The IACRTA before and after the acquisition are compared, and statistical t tests are used to determine their significant differences.

The same is performed for cash and share-funded transactions. The increase/decrease in average and median CRTA before and after the acquisition is compared between cash and share-funded transactions, and statistical t tests are used to determine whether cash-funded transaction have significantly greater increases/decreases in average and median CRT.

3.5 Limitations of the study

This study will have the following limitations:

- It focuses only on acquisitions by JSE listed companies, and is therefore not representative of acquisitions by unlisted companies or companies listed on other share exchanges.

- It is a multi-industry sector study and ignores the possibility that acquisitions create value in some industries and yet destroy value in other sectors over different time periods.

- In the case of the operational performance study, sample sizes of 23 and 13 are used for cash and share-funded transactions respectively. However, while these sample sizes are concerning, Brown and Warner (1985) note that standard parametric tests for significance of the mean excess return are well specified. In a sample of only five securities, and even when days are clustered, the tests typically have the appropriate probability of Type I error. In addition, the sample sizes were selected judgementally and not randomly, hence there are some limitations on the statistical inferences made.

3.6 Validity and reliability

Validity determines whether the research truly measures that which it is intended to measure Joppe (2000). This is important because tests of any hypothesis are only applicable if the data being tested is a true measure of what is supposed to be measured. Reliability is the extent to which results are consistent over time and are an accurate representation of the total population under study (Joppe 2000). This is important as it ensures the replication of results or observations.

Bloomberg are accredited and renowned data sources from which a plethora of companies and institutions extract data for their own research. Hence for the purpose of this study, the data can be deemed appropriate, valid and reliable.

4 PRESENTATION OF RESULTS

4.1 Impact of acquisitions on share price

4.1.1 Results for hypothesis 1

The null hypothesis states that the shareholders of acquiring companies do not earn significant Cumulative Average Abnormal Returns ($CAARs_{AD}$) around announcement dates of acquisitions. The alternative hypothesis states that the shareholders of acquiring companies earn significant Cumulative Average Abnormal Returns ($CAARs_{AD}$) around the announcement date of acquisitions.

a) Graphs

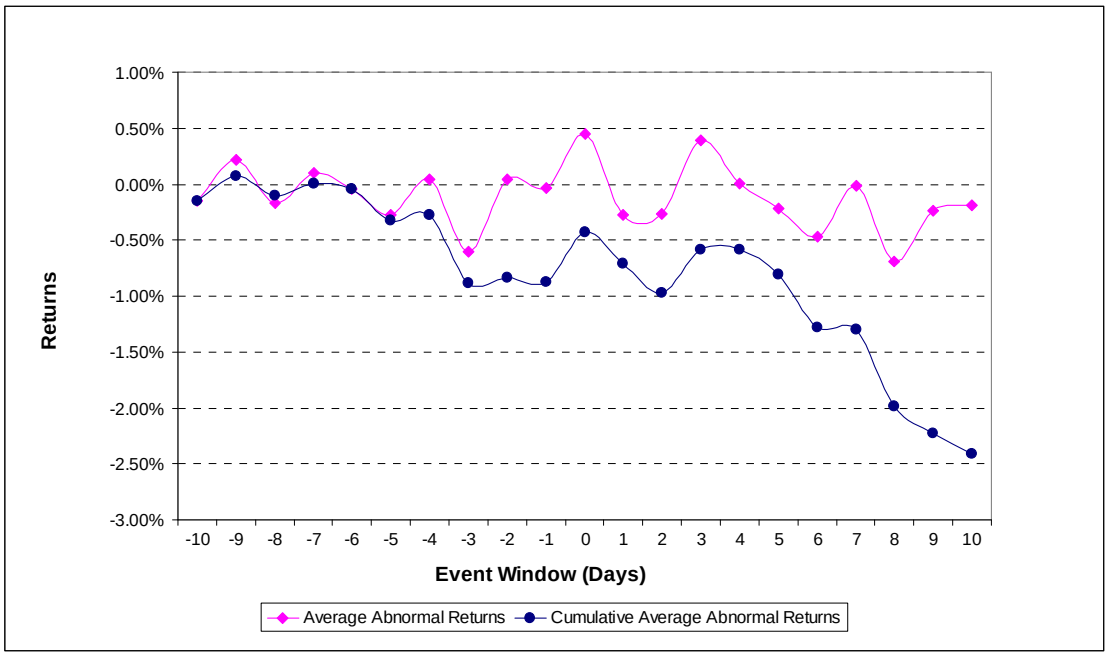

Figure 1: Average Abnormal Returns and Cumulative Average Abnormal Returns for full sample

The Cumulative Average Abnormal Returns (CAARs) are mostly negative and declining over the 21 window period. On days -3 to -1, the CAARs stabilise above -1% before rising above -0.5% on the announcement day. Subsequently they decline to below -0.5%

before rising again on Day 4 almost reaching -0.5%. Thereafter they decline before stabilising on day 6 and then decline further to above -2.5% on day 10.

b) One Sample T-tests

Window Period (days)	Full Sample (N=146)		
	CAARs	T-stat	Significance
[-1,+1]	0.132%	0.302	0.763
[-2,+2]	0.255%	0.473	0.637
[-5,+5]	-1.018%	-1.158	0.249
[-10,+10]	-2.643%*	-2.087	0.039

***** - Statistically significant at 5% level ****** - Statistically significant at 10% level

Table 1: One sample t-tests for event study full sample

The average CAARs over the 3 day [-1,+1] and 5 day [-2,+2] window are insignificantly positive while the CAAR over the 10 day [-5,+5] window are negative. The CAARs over 21 day [-10,+10] window are significantly negative at a 5% significance level.

4.1.2 Results for hypothesis 2

The null hypothesis states that shareholders of acquiring companies do not earn significantly different Cumulative Average Abnormal Returns around the announcement dates in cash-financed acquisitions ($CAARs_C$) than in share-financed acquisitions ($CAAR_S$). The alternative hypothesis states that shareholders of acquiring companies earn significantly different cumulative returns around announcement dates in cash-financed acquisitions ($CAAR_C$) than in share-financed acquisitions ($CAARs_S$).

a) Graphs

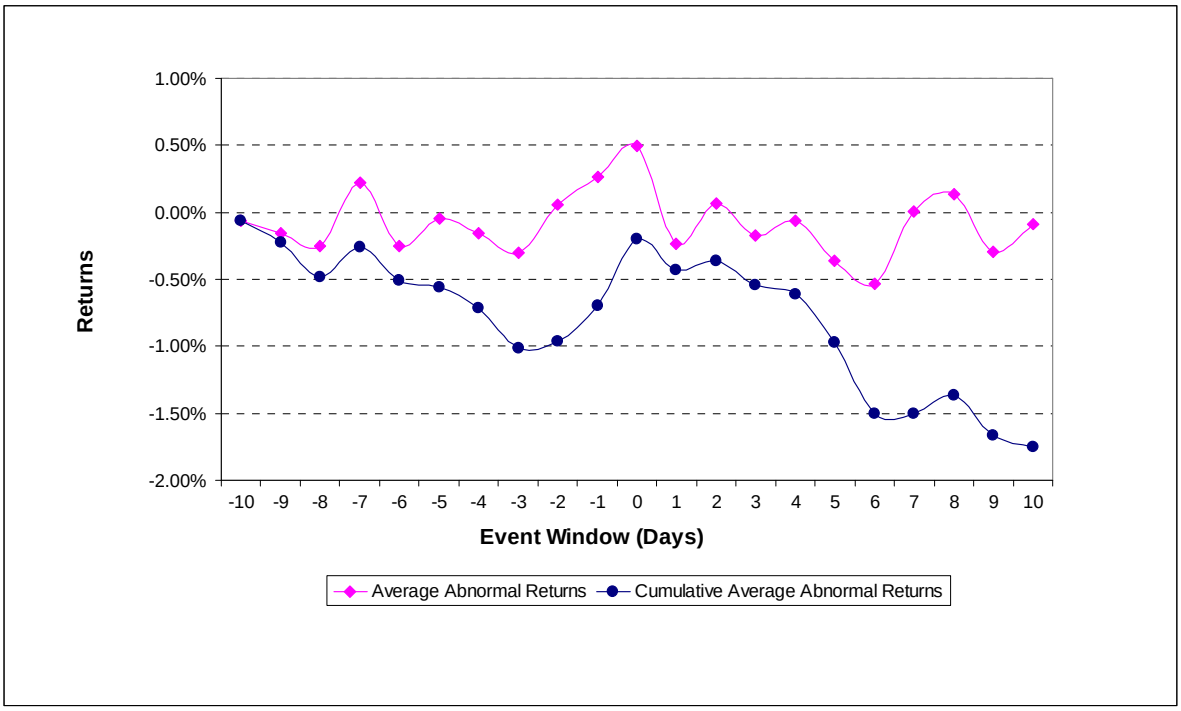

Figure 2: Average Abnormal Returns and Cumulative Average Abnormal Returns for cash-funded transactions

The CAARs for cash-funded transactions are negative throughout and decline to -1% on day -3. Thereafter they increase before peaking at the announcement day and then steadily decline to -1.5% on day 6. On day 8 they briefly rise before decreasing to below – 1.5% by day 10.

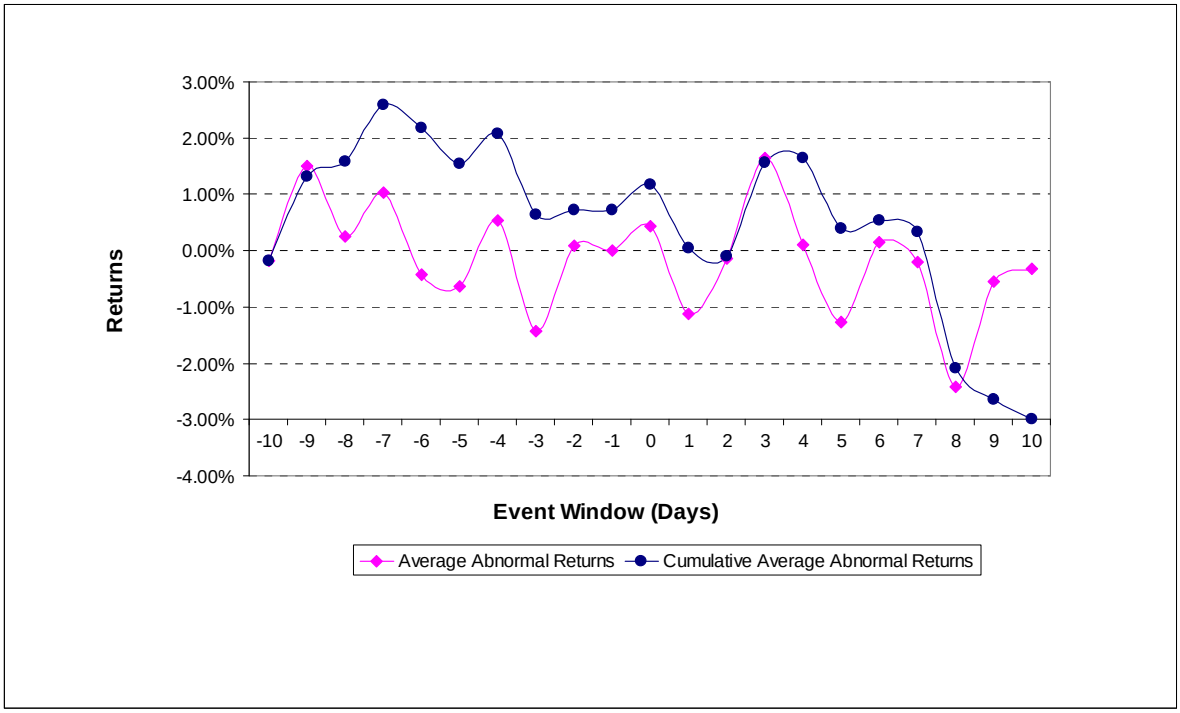

Figure 3: Average Abnormal Returns and Cumulative Average Abnormal Returns for share-funded transactions

The CAARs for share-funded transactions are relatively volatile when compared to those of cash-funded transactions. The highest peak above 2% occurs 7 days prior to the announcement. On the announcement day the CAARs rise and there after fluctuate between -3% and +2%.

b) One sample t-tests

Window Period (days)	Cash Funded Acquisitions (N=38)			Share-funded Acquisitions (N=30)		
	CAAR	CAAR	T-stat	Significance	T-stat	Significance
[-1,+1]	0.529%	-0.686%	-0.645	0.524	0.797	0.431
[-2,+2]	0.416%	0.824%	0.610	0.546	0.494	0.624
[-5,+5]	-0.786%	-1.751%	-1.063	0.297	-0.496	0.623
[-10,+10]	-1.695%	-3.709%*	-1.740	0.093	-0.753	0.456

***** - Statistically significant at 5% level ****** - Statistically significant at 10% level

Table 2 One sample t-tests for cash and share -funded transactions event study sample

For cash-funded transactions, the CAARs over the 3 day [-1,+1] and 5 day [-2,+2] windows are not significantly positive while the CAAR over the 11 day [-5,+5] and 21 day [-10,+10] windows are both insignificantly negative.

For share-funded transactions, the CAARs over the 3 day [-1,+1] and 5 day [-2,+2] and 11 day [-5,+5] windows are negative, with those over 11 day [-5,+5] window being significantly negative. The CAARs over the 11 day [-5,+5] window are insignificantly positive.

4.2 Impact of acquisitions on operational financial performance

4.2.1 Results for hypothesis 3

The null hypothesis states that the average operating cash flow return on assets one year after the acquisition (CF/A_{POST}) of acquiring companies does not significantly exceed the average operating cash flow return on assets before such an acquisition (CF/A_{PRE}). The alternate hypothesis states that the average operating cash flow return on assets one year after the acquisition (CF/A_{POST}) significantly exceeds the operating cash flow return on assets prior to such an acquisition (CF/A_{PRE}).

a) One sample t-tests

	Year Relative To Acquisition	Mean IACRTA	Standard Deviation	T-Stat For Mean IACRTA	Mean IACRTA Significance	Median IACRTA	T-Stat For Median IACRTA	Median IACRTA Significance
Full Sample (N=51)	-1	0.460%	5.469%	0.600	0.551	-1.311%*	-1.712	0.093
	+1	1.688%*	4.640%	2.597	0.012	-0.722%	-1.111	0.272

***** - Statistically significant at 5% level ****** - Statistically significant at 10% level

Table 3 One sample t-tests for performance study full sample

The mean IACRTA is insignificantly greater than 0 in year -1 and significantly greater than 0 in year +1. The median IACRTA is significantly less than 0 in year -1 and insignificantly less than 0 in year +1.

a) Paired T-tests

	Year Relative To Acquisition	Mean IACRTA	Standard Deviation	T-Stat For Mean IACRTA	Mean IACRTA Significance	Median IACRTA	T-Stat For Median IACRTA	Median IACRTA Significance
Full Sample (N=51)	-1 to 0	-0.593%	3.287%	-1.289	0.203	0.537%	1.166	0.249
	-1 to +1	1.228%**	4.376%	2.003	0.051	0.589%	0.962	0.341

***** - Statistically significant at 5% level ****** - Statistically significant at 10% level

Table 4 Paired t-tests for performance study full sample

The change in mean IACRTA is significantly positive from year -1 and year 1 while the change in median IACRTA is insignificantly positive over the same period.

4.2.2 Results for hypothesis 4

The null hypothesis states the change in the average operating cash flow return on assets of acquiring companies one year after an acquisition for cash-funded transactions ($CF/A_{POSTc} - CF/A_{PREc}$) is significantly, greater than change in average cash flow return on assets one year after an acquisition for share-funded transactions ($CF/A_{POSTs} - CF/A_{PREs}$). The alternate hypothesis states the change in the average cash flow return on assets of acquiring companies one year after an acquisition for cash-funded transactions ($CF/A_{POSTc} - CF/A_{PREc}$) is not significantly, greater than change in average cash flow return on assets one year after an acquisition for share-funded transactions ($CF/A_{POSTs} - CF/A_{PREs}$).

a) One sample t-tests

	Year Relative To Acquisition	Mean IACRTA	Standard Deviation	T-Stat For Mean IACRTA	Mean IACRTA Significance	Median IACRTA	T-Stat For Median IACRTA	Median IACRTA Significance
Cash-funded Transactions (N=23)	-1	0.159%	5.026%	0.152	0.881	-1.260%	-1.110	0.279
	+1	0.511%	5.445%	0.450	0.657	0.374%	0.350	0.729
Share-funded Transactions (N=13)	-1	0.175%	4.761%	0.132	0.897	-1.503%	-0.893	0.389
	+1	0.268%	6.066%	0.159	0.876	-1.671%	-1.174	0.263

***** - Statistically significant at 5% level ****** - Statistically significant at 10% level

Table 5: One sample t-tests for cash and share-funded transaction performance study

The mean IACRTA for both cash and share-funded transactions is insignificantly greater than 0 in years -1 and +1. The median IACRTA is insignificantly negative in year -1 for both share-funded and cash-funded transactions while that of share-funded transactions in year +1 is insignificantly negative and that of cash-funded transactions in year +1 is insignificantly positive.

a) Paired t-tests

	Year Relative To Acquisition	Mean IACRTA	Standard Deviation	T-Stat For Mean IACRTA	Mean IACRTA Significance	Median IACRTA	T-Stat For Median IACRTA	Median IACRTA Significance
Cash-funded Transactions (N=23)	-1 to 0	-0.352%	2.968%	-0.569	0.575	0.778%	1.257	0.222
	-1 to +1	2.272%*	4.305%	2.531	0.019	0.016333**	1.819	0.082
Share-funded Transactions (N=13)	-1 to 0	-0.093%	2.629%	-0.128	0.900	1.037%	1.422	0.181
	-1 to +1	0.471%	2.867%	0.592	0.565	-0.168%	-0.211	0.837

***** - Statistically significant at 5% level ****** - Statistically significant at 10% level

Table 6: Paired t-tests for cash and share-funded transaction performance study

The changes in cash-funded transaction mean and median IACRTA are significantly positive at 5% and 10% significance levels respectively from year -1 to year +1. Neither of the changes in mean and median IACRTAs is significant from year -1 to year 1 in share-funded acquisitions.

5 DISCUSSION OF RESULTS

5.1 Impact of acquisitions on share price

5.1.1 Discussions for hypothesis 1

The null hypothesis states that the shareholders of acquiring companies do not earn significant Cumulative Average Abnormal Returns ($CAARs_{AD}$) around announcement dates of acquisitions. The alternative hypothesis states that the shareholders of acquiring companies earn significant Cumulative Average Abnormal Returns ($CAARs_{AD}$) around the announcement date of acquisitions.

Window Period (days)	Full Sample (N=146)		
	CAAR	T-stat	Significance
[-1,+1]	0.132%	0.302	0.763
[-2,+2]	0.255%	0.473	0.637
[-5,+5]	-1.018%	-1.158	0.249
[-10,+10]	-2.643%*	-2.087	0.039

***** - Statistically significant at 5% level ****** - Statistically significant at 10% level

Table 7: One sample t-tests for event study full sample

Table 7 (above) contains the CAAR and the t-statistics for the four event windows for the full sample and for cash and share-funded transactions.

As shown by table 7, for the full sample, positive CAARs of 0.132%, and 0.255% are found over the 3 day [-1,+1] and 5 day [+2,-2] windows respectively. Furthermore, negative CAARs of -1.018% and -2.643% are found over the 11 day [-5,+5] and 21 day [-10,+10] window periods respectively. However, only the CAARs over 3 day [-1,+1] and 5 day [+2,-2] window the 21 day [-10,+10] window period are statistically significant. For the full sample, the insignificant findings over the 3 day [-1,+1] , 5 day [+2,-2] and the 11 day [-5,+5] windows are consistent with those by Mushidzhi and Ward (2004) and Smit and Ward (2007) and Mulherin and Boone (2000), where the window periods correspond to those of this study. However these findings are inconsistent with those by Cheng and

Lueng (2004) who find significantly positive CAARS of 0.72% and 1.21% over the 3 day [-1,+1] and 11 day [-5,+5] windows respectively.

The discovery of significant negative returns over the 21 day [-10,+10] window period is inconsistent with the findings of Mushidzhi and Ward (2004) and Smit and Ward (2007), who do not discover any significant findings in the case of the full sample over the same window period. Findings by Mushidzhi and Ward (2004) and Smit and Ward (2007), Mulherin and Boone (2000) and by Cheng and Lueng (2004) are shown in tables 8, 9, 10 and 11 below.

Window Period (days)	**Full Sample (N=57)**	
	CAAR	**T-Stat**
[-1,+1]	0.31%	0.367
[-5,+5]	-0.97%	0.715
[-10,+10]	-2.78%	-0.247

***** - Statistically significant at 5% level ****** - Statistically significant at 10% level

Table 8: Cumulative Average Abnormal Returns for full sample event study by Mushidzhi and Ward (2004)

Window Period (days)	**Full Sample (N=27)**	
	CAAR	**T-Stat**
[-1,+1]	-0.02%	0.019
[-2,+2]	0.98%	0.574
[-5,+5]	3.79%	1.535
[-10,+10]	4.35%	1.223

***** - Statistically significant at 5% level ****** - Statistically significant at 10% level

Table 9: Cumulative Average Abnormal Returns for full sample event study by Smit and Ward (2007)

Window Period (days)	**Full Sample (N=281)**	
	CAAR	**T-Stat**
[-1,+1]	-0.37%	-0.69

***** - Statistically significant at 5% level ****** - Statistically significant at 10% level

Table 10: Cumulative Average Abnormal Returns for full sample event study by Mulherin and Boone (2000)

Window Period (days)	Full Sample (N=36)	
	CAAR	T-Stat
[-1,+1]	0.72%*	1.49
[-5,+5]	1.21%*	2.36

* - Statistically significant at 5% level ** - Statistically significant at 10% level

Table 11: Cumulative Average Abnormal Returns for full sample event study by Cheng and Lueng (2004)

The absence of significant positive CAARs in this study is evidence that, on the whole, acquisitions do not improve value for acquiring shareholders in the short term, despite the announced intentions of acquiring companies.

5.1.2 Discussions for hypothesis 2

The null hypothesis states that shareholders of acquiring companies do not earn significantly different Cumulative Average Abnormal Returns around the announcement dates in cash-financed acquisitions ($CAARs_C$) than in share-financed acquisitions ($CAAR_S$). The alternative hypothesis states that shareholders of acquiring companies earn significantly different cumulative returns around announcement dates in cash-financed acquisitions ($CAAR_C$) than in share-financed acquisitions ($CAARs_S$).

Window Period (days)	Cash Funded Acquisitions (N=38)			Share-funded Acquisitions (N=30)		
	CAAR	T-stat	Significance	CAAR	T-stat	Significance
[-1,+1]	0.529%	0.797	0.431	-0.686%	-0.645	0.524
[-2,+2]	0.416%	0.494	0.624	0.824%	0.610	0.546
[-5,+5]	-0.786%	-0.496	0.623	-1.751%	-1.063	0.297
[-10,+10]	-1.695%	-0.753	0.456	-3.709%*	-1.740	0.093

* - Statistically significant at 5% level ** - Statistically significant at 10% level

Table 12: One sample t-tests for cash and share -funded and transaction event study

With the exception of the 5 day [-2,+2] window period, cash-funded transactions in this study exhibit more positive CAARs than share-funded transactions. This discovery of share-funded transactions performing better than cash-funded transactions over the 5 day [-2,+2] window is inconsistent with findings by Mushidzhi and Ward (2004) and Smit and Ward (2007) whose findings are opposite to that over the same window. Findings by Mushidzhi and Ward (2004) and Smit and Ward (2007) are shown below.

Window Period (days)	Cash Funded Acquisitions (N=24)		Share-funded Acquisitions (N=33)	
	CAAR	T-Stat	CAAR	T-Stat
[-1,+1]	1.07%**	-0.240	-0.24%	-0.173
[-5,+5]	0.71%	0.425	1.48%	0.562
[-10,+10]	-0.94%	-0.407	-0.28%	-0.076

* - Statistically significant at 5% level ** - Statistically significant at 10% level

Table 13: Cumulative Average Abnormal Returns cash and share-funded transaction event study by Mushidzhi and Ward (2004)

Window Period (days)	Cash Funded Acquisitions (N=13)		Share-funded Acquisitions (N=10)	
	CAAR	T-Stat	CAAR	T-Stat
[-1,+1]	3.10%	1.509	-1.92%	1.271
[-2,+2]	5.92%	1.418	-1.89%**	2.030
[-5,+5]	7.43%	1.168	-2.76%	1.547
[-10,+10]	11.50%	1.429	1.89%	0.531

* - Statistically significant at 5% level ** - Statistically significant at 10% level

Table 14: Cumulative Average Abnormal Returns cash and share-funded transaction event study by Smit and Ward (2007)

The absence of significant positive CAARs in both cash and share-funded transactions is evidence that, acquisitions do not improve value for acquiring shareholders in the short term, irregardless of the method of payment. As in the case of the full sample, these samples show that shareholder value is not improved in cash and share-funded transactions despite the announced intentions of acquiring companies.

5.2 Impact of acquisitions on operational financial performance

Since much of the literature preceding this study, uses the median IACRTA as a measure of the average cash flow return on assets, the discussion of results draws more from the median rather than the mean IACRTA from this study.

5.2.1 Discussions for hypothesis 3

The null hypothesis states that the average operating cash flow return on assets one year after the acquisition (CF/A_{POST}) of acquiring companies does not significantly exceed the average operating cash flow return on assets before such an acquisition (CF/A_{PRE}). The alternate hypothesis states that the average operating cash flow return on assets one year after the acquisition (CF/A_{POST}) significantly exceeds the operating cash flow return on assets prior to such an acquisition (CF/A_{PRE}).

	Year Relative To Acquisition	Mean IACRTA	Standard Deviation	T-Stat For Mean IACRTA	Mean IACRTA Significance	Median IACRTA	T-Stat For Median IACRTA	Median IACRTA Significance
Full Sample (N=51)	-1	0.460%	5.469%	0.600	0.551	-1.311%*	-1.712	0.093
	+1	1.688%*	4.640%	2.597	0.012	-0.722%	-1.111	0.272

***** - Statistically significant at 5% level ****** - Statistically significant at 10% level

Table 15: IACRTA one sample t-tests for full sample performance study

Table 15 (above) indicates that only the median IACRTA of -1.311% for the full sample in year -1 is significantly different from 0. For year +1 the mean IACRTA of -0.722% for the full sample is not significantly less than 0. Cash and share-funded transactions do not have a median IACRTA that is significantly different from 0 in any of the years shown above. The full sample exhibits a significantly positive mean IACRTA of 1.688% in year +1 while cash and share-funded do not show a significant difference from 0 in their mean IACRTA.

The finding of a significantly negative median IACRTA, in the full sample, for the year prior to the acquisition, is not consistent with findings by Smit and Ward (2007), who do not find a significant median IACRTA for their full sample. However, it important to note that none of the findings by Smit and Ward (2007) are statistically reliable because of their sample size. Their findings are shown below.

	Year Relative To Acquisition	Mean IACRTA	Standard Deviation	T-Stat For Mean IACRTA	Median IACRTA	T-Stat For Median IACRTA
Full Sample (N=27)	-1	-0.980%	55.560%	0.300	1.100%	0.336
	+1	5.170%	59.56%	0.454	2.100%	0.184

***** - Statistically significant at 5% level ****** - Statistically significant at 10% level

Table 16: IACRTA one sample test for full sample performance study by Smit and Ward (2007)

Table 17 below, shows that in the case of the full sample, this study does not find any significant changes in median IACRTA after the acquisition; however, the mean IACRTA of 1.228% in year +1 is significantly greater than that before the acquisition in year -1. The lack of a significant positive median IACRTA for the relative years -1 to +1 in the paired tests (below) shows that acquisitions do not prove to be profitable investments for acquiring companies one year after the transaction (Healy et al. 1992); (Healy and Palepu 1997).

Furthermore, it shows that acquiring companies do not outperform their industry peers, where median IACRTA is concerned.

	Year Relative To Acquisition	Mean IACRTA	Standard Deviation	T-Stat For Mean IACRTA	Mean IACRTA Significance	Median IACRTA	T-Stat For Median IACRTA	Median IACRTA Significance
Full Sample (N=51)	-1 to 0	-0.593%	3.287%	-1.289	0.203	0.537%	1.166	0.249
	-1 to +1	1.228%**	4.376%	2.003	0.051	0.589%	0.962	0.341

***** - Statistically significant at 5% level ****** - Statistically significant at 10% level

Table 17: IACRTA paired sample test for full sample performance study

5.2.2 Discussions for hypothesis 4

The null hypothesis states the change in the average operating cash flow return on assets of acquiring companies one year after an acquisition for cash-funded transactions ($CF/A_{POSTc} - CF/A_{PREc}$) is significantly, greater than change in average cash flow return on assets one year after an acquisition for share-funded transactions ($CF/A_{POSTs} - CF/A_{PREs}$). The alternate hypothesis states the change in the average cash flow return

on assets of acquiring companies one year after an acquisition for cash-funded transactions ($CF/A_{POSTc} - CF/A_{PREc}$) is not significantly, greater than change in average cash flow return on assets one year after an acquisition for share-funded transactions ($CF/A_{POSTs} - CF/A_{PREs}$).

	Year Relative To Acquisition	Mean IACRTA	Standard Deviation	T-Stat For Mean IACRTA	Mean IACRTA Significance	Median IACRTA	T-Stat For Median IACRTA	Median IACRTA Significance
Cash-funded Transactions (N=23)	-1	0.159%	5.026%	0.152	0.881	-1.260%	-1.110	0.279
	+1	0.511%	5.445%	0.450	0.657	0.374%	0.350	0.729
Share-funded Transactions (N=13)	-1	0.175%	4.761%	0.132	0.897	-1.503%	-0.893	0.389
	+1	0.268%	6.066%	0.159	0.876	-1.671%	-1.174	0.263

***** - Statistically significant at 5% level ****** - Statistically significant at 10% level

Table 18: IACRTA one sample for cash and share-funded transaction performance study

Table 18 (above) shows that this study does not find a mean and median IACRTA for both cash and share-funded transactions that is significantly greater than 0 in any of the years shown. However, cash-funded transactions have a more positive median and mean IACRTA than share-funded transactions a year after the acquisition. This finding is contrary to the finding by Smit and Ward (2007). As shown below on table 17, Smit and Ward (2007) find that share transactions have a greater median and a greater mean IACRTA one year after the acquisition.

	Year Relative To Acquisition	Mean IACRTA	Standard Deviation	T-Stat For Mean IACRTA	Median IACRTA	T-Stat For Median IACRTA
Cash-funded Transactions (N=10)	-1	-7.340%	50.50%	1.002	-0.800%	0.109
	+1	-16.640%	50.50%	1.297	-0.590%	0.046
Share-funded Transactions (N=13)	-1	1.570%	46.15%	0.475	-1.520%	0.460
	+1	2.135%	53.85%	1.021	2.100%	0.100

***** - Statistically significant at 5% level ****** - Statistically significant at 10% level

Table 19: IACRTA one sample tests for cash and share-funded transaction performance study by Smit and Ward (2007)

Table 20 (below) shows that the changes in mean and median IACRTA for cash-funded transactions, within the relative years -1 to +1, are 2.272% and 0.016% respectively. The

significantly positive median IACRTA, means that cash-funded acquisitions outperform their industry peers and prove to be profitable investments for acquiring companies one year after the transaction (Healy and Palepu 1997). A lack of a significant positive median IACRTA in share-funded transactions shows that they are outperformed by cash-funded acquisitions and by their industry peers. Furthermore they do not prove to be profitable investments for acquiring companies one year after the transaction (Healy et al. 1992); (Healy and Palepu 1997).

	Year Relative To Acquisition	Mean IACRTA	Standard Deviation	T-Stat For Mean IACRTA	Mean IACRTA Significance	Median IACRTA	T-Stat For Median IACRTA	Median IACRTA Significance
Cash-funded Transactions (N=23)	-1 to 0	-0.352%	2.968%	-0.569	0.575	0.778%	1.257	0.222
	-1 to +1	2.272%*	4.305%	2.531	0.019	0.016**	1.819	0.082
Share-funded Transactions (N=13)	-1 to 0	-0.093%	2.629%	-0.128	0.900	1.037%	1.422	0.181
	-1 to +1	0.471%	2.867%	0.592	0.565	-0.168%	-0.211	0.837

***** - Statistically significant at 5% level ****** - Statistically significant at 10% level

Table 20: IACRTA paired sample tests for cash and share-funded transaction performance study

The out-performance of share-funded transaction by cash-funded acquisitions in this performance study is consistent with findings by Gosh (2001) and Linn and Switzer (2001) in the case of median cash flow returns on assets. (Ghosh 2001) finds that, for the relative years -1 to +3, cash-funded transactions are followed by a significant performance increase of 3,05% per annum, while share-funded transactions have an insignificant 0.02% increase. Linn and Switzer (2001) find that cash acquisitions with a significant post-merger performance increase of 3.14% dominate share acquisitions with an insignificant increase of 0.77%.

6 CONCLUSIONS AND RECOMMENDATIONS

From the results presented, conclusions and recommendations are drawn with respect to the research hypotheses.

6.1 Conclusions

The objective of this research was to determine the effects of acquisitions on the value and performance of JSE listed Companies.

The following conclusions were reached with regard to the research objective:

6.1.1 Hypothesis 1

The null hypothesis states that the shareholders of acquiring companies do not earn significant Cumulative Average Abnormal Returns ($CAARs_{AD}$) around announcement dates of acquisitions. The alternative hypothesis states that the shareholders of acquiring companies earn significant Cumulative Average Abnormal Returns ($CAARs_{AD}$) around the announcement date of acquisitions.

H_O: $CAARs_{AD} = 0$

H_A: $CAARs_{AD} \neq 0$

This research finds that shareholders of acquiring companies do not earn significantly positive or negative Cumulative Average Abnormal Returns over the 3 day [-1,+1] and 5 day [+2,-2] and 11 day [-5,+5] window period. However, shareholder value is destroyed through significant negative returns over the 21 day [-10,+10] window.

6.1.2 Hypothesis 2

The null hypothesis states that shareholders of acquiring companies do not earn significantly different Cumulative Average Abnormal Returns around the announcement

dates in cash-financed acquisitions ($CAARs_C$) than in share-financed acquisitions ($CAAR_S$). The alternative hypothesis states that shareholders of acquiring companies earn significantly different cumulative returns around announcement dates in cash-financed acquisitions ($CAAR_C$) than in share-financed acquisitions ($CAARs_S$).

H_O: $CAAR_C - CAAR_S = 0$

H_A: $CAAR_C - CAAR_S \neq 0$

This study finds that shareholders of acquiring companies earn insignificantly higher CAARs through cash-funded transactions than through share-funded acquisitions over the 3 day [-1,+1] and 11 day [-5,+5] windows. In addition, they earn insignificantly higher CAARs over the 5 day [-2,+2] window through share-funded transactions. Further more shareholders earn significantly less CAARs through share-funded transactions over the 21 day [-10,+10] window.

6.1.3 Hypothesis 3

The null hypothesis states that the average operating cash flow return on assets one year after the acquisition (CF/A_{POST}) of acquiring companies does not significantly exceed the average operating cash flow return on assets before such an acquisition (CF/A_{PRE}). The alternate hypothesis states that the average operating cash flow return on assets one year after the acquisition (CF/A_{POST}) significantly exceeds the operating cash flow return on assets prior to such an acquisition (CF/A_{PRE}).

H_O: $CF/A_{POST} - (CF/A_{PRE}) \leq 0$

H_A: $CF/A_{POST} - (CF/A_{PRE}) > 0$

The research finds that median cash flow return on assets after the acquisition of acquiring companies does not significantly exceed the median operating cash flow return on assets before such an acquisition for a one year post-acquisition period.

6.1.4 Hypothesis 4

The null hypothesis states the change in the average operating cash flow return on assets of acquiring companies one year after an acquisition for cash-funded transactions ($CF/A_{POSTc} - CF/A_{PREc}$) is significantly, greater than change in average cash flow return on assets one year after an acquisition for share-funded transactions ($CF/A_{POSTs} - CF/A_{PREs}$). The alternate hypothesis states the change in the average cash flow return on assets of acquiring companies one year after an acquisition for cash-funded transactions ($CF/A_{POSTc} - CF/A_{PREc}$) is not significantly, greater than change in average cash flow return on assets one year after an acquisition for share-funded transactions ($CF/A_{POSTs} - CF/A_{PREs}$).

H_O: $(CF/A_{POSTc} - CF/A_{PREc}) - (CF/A_{POSTs} - CF/A_{PREs}) > 0$

H_A: $(CF/A_{POSTc} - CF/A_{PREc}) - (CF/A_{POSTs} - CF/A_{PREs}) \leq 0$

This research finds that the change in the median cash flow return on assets of acquiring companies after an acquisition for cash-funded transactions is significantly greater than change in median cash flow return on assets following an acquisition for share-funded transactions for a post acquisition period of one year.

6.2 Recommendations for future research

It is recommended that:

a) a replication of the operational performance investigation in this study should be conducted: although there was a statistically reliable sample size of 51 for the combined sample, the sample sizes of 23 and 13 for cash and share-funded transactions respectively, could be improved upon;

b) an investigation be made into the impact of divestitures on JSE listed divesting firms' operating financial performance in order to reveal whether the rationale for divesting is justified;

c) an examination of acquisition impact on financial performance of South African private companies be performed as this may provide a different conclusion for such acquisitions; and

d) a multi-industry sector acquisition performance study would reveal which industries are better performers following an acquisition.

e) a performance study including debt financed acquisitions in South Africa would reveal how such acquiring companies would perform relative to those funding transactions by cash and shares.

7 APPENDICES

7.1 Full transaction sample for event study

Sample No	Acquirer Name	Target Name	Announcement Date	Alpha	Beta	Acquisition Funding
1	ABSOLUTE HOLDINGS	ASKARI MINING & EQUIPMENT LT	2001/08/31	2.092	2.31	Cash
2	ACUCAP PROPERTIES LTD	ATLAS PROPERTIES LTD	2007/05/03	0.091	0.412	Cash or Share
3	AFRIBRAND HOLDINGS LTD	ARMATO CORPORATION LIMITED	1998/08/05	0.046	0.849	Share
4	AFRICAN DAWN CAPITAL LIMITED	DUMONT HEALTHCARE PTY LTD	2007/09/25	0.384	0.653	Cash and Share
5	AFRICAN MEDIA ENTERTAINMENT	UNITED STATIONS	2003/02/14	4.998	0.616	Share
6	AFRICAN RAINBOW MINERALS LTD	AVMIN LTD	1998/09/25	-0.303	0.67	Share
7	ALEXANDER FORBES LTD	NELSON HURST PLC	1997/07/16	0.108	0.839	Cash
8	ALEXANDER FORBES LTD	CODISSA NELSON HURST	1999/06/18	0.13	0.829	Undisclosed
9	ALEXANDER FORBES LTD	NATIONAL BRITANNIA/UK	2000/09/20	0.016	0.729	Undisclosed
10	ALEXANDER FORBES LTD	ALFRED BLACKMORE GROUP LTD	2001/03/07	0.087	0.768	Cash and Debt
11	ALEXANDER FORBES LTD	BUFETE DE CONSULTORIA ACTURI	2001/11/16	-0.052	0.816	Undisclosed
12	ALEXANDER FORBES LTD	LANE CLARK & PEACOCK	2002/01/30	-0.062	0.785	Undisclosed
13	ALEXANDER FORBES LTD	INVESTMENT SOLUTIONS HLDGS	2002/09/18	-0.041	0.675	Cash or Share
14	ALEXANDER FORBES LTD	CORPORATE BENEFITS CONSULTIN	2007/02/13	0.019	0.554	Undisclosed

Sample No	Acquirer Name	Target Name	Announcement Date	Alpha	Beta	Acquisition Funding
15	ANDULELA INVESTMENT HOLDINGS	TRIDENT INSURANCE BROKERS PTY LTD	2000/04/03	0.607	0.12	Share
16	ANDULELA INVESTMENT HOLDINGS	2 PROPERTIES	2004/08/17	0.046	0.435	Cash
17	AVENG LTD	LTA LIMITED	2000/07/10	0.025	0.859	Cash or Share
18	AVI LTD	CONSOL LIMITED/OLD	1997/11/17	-0.188	0.915	Cash
19	AVIS SOUTHERN AFRICA LTD	ABENTEUER AFRIKA SAFARI	1998/08/03	0.054	0.816	Undisclosed
20	AWETHU BREWERIES LIMITED	RMD FINANCIAL SERVICES LTD	1998/11/02	-0.19	0.664	Cash
21	BEST CUT LTD	INTEGREAR	2000/09/19	0.401	0.352	Share
22	BIDVEST GROUP LTD	SAFMARINE & RENNIES HLDGS	1998/09/16	0.173	0.923	Undisclosed
23	BIDVEST GROUP LTD	LITHOTECH LIMITED	1998/11/27	0.147	0.93	Share
24	BILLBOARD HOLDINGS LTD	PRIME EVENTS (PTY) LTD	1998/12/07	-0.154	1.39	Share
25	BYTES TECHNOLOGY GROUP LTD	BTGNET	2001/10/15	-0.029	1.012	Undisclosed
26	BYTES TECHNOLOGY GROUP LTD	CS COMPUTER SERVICES HLDGS	2004/08/16	0.129	0.466	Share
27	CAPE EMPOWERMENT TRUST LTD	DYNAMIC CABLES RSA LTD	2000/05/12	-0.051	0.223	Cash
28	CAPESTAR GROWTH INVESTMENTS	WASTE SERVICES & HYDROCHEM	1998/11/18	0.169	0.543	Cash
29	CCN HOLDINGS LTD	TELEFLORIST SA	1999/10/06	-0.314	-0.021	Cash and Share
30	CHESTER INVESTMENT HOLDINGS	CHET INDUSTRIES LTD	2001/01/24	0.17	0.518	Cash
31	CHESTER INVESTMENT HOLDINGS	BRANDCORP HOLDINGS LTD	2001/03/20	0.17	0.527	Cash

Sample No	Acquirer Name	Target Name	Announcement Date	Alpha	Beta	Acquisition Funding
32	COMBINED MOTOR HOLDINGS LTD	AUTO UMHLANGA	2004/09/07	0.235	0.267	Undisclosed
33	COMPAREX HOLDINGS LTD	Q DATA LTD	1997/08/07	0.373	1.04	Undisclosed
34	COMPUTER CONFIGURATIONS HOLD	GLOBILL BILLING SYSTEMS (PTY) LTD	1998/08/28	1.385	0.943	Undisclosed
35	COMPUTER CONFIGURATIONS HOLD	INFRACOM LTD	1999/02/11	0.935	1.284	Cash
36	CONNECTION GROUP HOLDINGS	CMPTR SPRSTRS& TECHNOBYTE	1998/02/25	0.045	1.015	Share
37	CONNECTION GROUP HOLDINGS	INCREDIBLE CONNECTION LTD	1998/11/12	0.32	1.309	Share
38	CORE HOLDINGS LTD	REDSAND PUBLISHING LTD	2000/03/29	0.121	0.464	Cash and Share
39	CORPCAPITAL LTD	MICAWBER 274 LTD	1998/08/17	0.295	1.034	Share
40	CORPCOM LTD	SUBURBAN & INDUSTRIAL SIGN DESIGN CC	1999/06/18	-0.133	1.153	Undisclosed
41	CS COMPUTER SERVICES HLDGS	ARGIL HOLDINGS PTY LTD	2001/10/29	0.013	0.655	Undisclosed
42	CYCAD FINANCIAL HOLDINGS LTD	LEGACY FINANCIAL HOLDINGS LTD	1999/06/09	-0.023	0.37	Cash
43	CYCAD FINANCIAL HOLDINGS LTD	EGOLF LTD	2000/03/06	-0.122	0.388	Cash
44	DATACENTRIX HOLDINGS LTD	SOLUTION MANAGEMENT NETWORX	2002/05/02	-0.032	0.494	Cash and Share
45	DE BEERS-CENTENARY LINKED-UT	AFRICAN RAINBOW MINERALS LTD	1999/05/24	0.088	0.917	Cash
46	DE BEERS-CENTENARY LINKED-UT	INDUS & COMMERCIAL HLDGS GRP	2000/05/23	0.098	1.084	Cash
47	DE BEERS-CENTENARY LINKED-UT	WINSPEAR DIAMONDS INC	2000/06/26	0.054	1.123	Cash
48	DECILLION LIMITED	CHESTERFIELD FINANCE SOLUTIO	2003/09/22	-0.076	0.387	Undisclosed

Sample No	Acquirer Name	Target Name	Announcement Date	Alpha	Beta	Acquisition Funding
49	DIALOGUE GROUP HOLDINGS LTD	CALLFORCE DIRECT PTY LTD	2007/08/30	0.263	0.749	Cash and Share
50	DRDGOLD LTD	HARGRAVES RESOURCES NL	1999/07/12	0.046	0.329	Cash and Share
51	DRDGOLD LTD	DOME RESOURCES NL	2001/02/01	-0.059	0.583	Cash
52	DYNAMIC CABLES RSA LTD	CAPENSIS	2006/03/14	1.336	0.887	Cash
53	ENERGY AFRICA LTD	TULLOW OIL GABON SA	2001/03/22	0.066	0.606	Undisclosed
54	EOH HOLDINGS LTD	F H COLLIER & ASSOCIATES	1999/11/24	-0.018	0.501	Cash and Share
55	FORZA GROUP LTD	NEWINVEST 151 PTY LTD	2000/05/23	-0.28	0.196	Cash
56	FRONTRANGE LTD	PRIMATRONIC SYSTEMS CC	1999/01/25	0.986	1.283	Cash and Share
57	GLENRAND MIB LTD	TEN-50-SIX	2004/10/15	0.157	0.476	Undisclosed
58	HARMONY GOLD MINING CO LTD	LYDENBURG EXPLORATION LTD	1996/11/05	-0.004	1.204	Cash and Share
59	HICOR LTD	ALLWEAR LIMITED	1997/05/21	-0.081	0.311	Cash or Share
60	IDION TECHNOLOGY HOLDINGS	SILVERLAKE TECHNOLOGY SOLUTIONS LTD	1998/11/18	0.674	1.437	Undisclosed
61	IDION TECHNOLOGY HOLDINGS	VISION SOLUTIONS INC	2000/03/01	0.536	1.062	Cash
62	IDION TECHNOLOGY HOLDINGS	OS SOLUTIONS LTD	2005/02/28	-0.122	0.559	Cash
63	IFANET LTD	3 SOUTH AFRICAN BUSINESSES	2000/01/31	-0.487	1.041	Cash and Share
64	I-FUSION HOLDINGS LTD	WORLDLOGIC CORP USA INC	1998/10/08	0.419	1.376	Cash
65	ILIAD AFRICA LTD	LUMBER CITY	2007/07/10	0.071	0.606	Undisclosed

Sample No	Acquirer Name	Target Name	Announcement Date	Alpha	Beta	Acquisition Funding
66	INDEQUITY GROUP LTD	GLOBAL INVESTMENT PLANNING SERVICES PTY LTD	2003/02/24	-0.08	0.075	Cash and Share
67	INFINITI TECHNOLOGIES LTD	TIME-SLOT COMPUTING SERVICE	1998/06/22	0.443	0.9	Undisclosed
68	INTEGRATED TECH HOLDINGS LTD	DATA CONTROL SERVICES LTD	1998/08/14	0.848	1.664	Cash and Share
69	INVESTEC HOLDINGS LTD	AZTEC WEST BUSINESS PARK	2002/01/14	-0.169	0.91	Undisclosed
70	IOTA FINANCIAL SERVICES LTD	OUTSOURCING SERVICES MANAGEMENT GROUP	1998/07/15	1.341	0.733	Share
71	ISA HOLDINGS LTD	LANLINK CC	2000/03/24	-0.163	0.347	Cash and Debt
72	ITI TECHNOLOGY HOLDINGS LTD	WESSELS & ASSOCIATES	1998/02/26	0.385	0.46	Cash and Share
73	ITI TECHNOLOGY HOLDINGS LTD	EDGETEC PTY LTD	1999/08/16	0.162	1.335	Undisclosed
74	JCI LTD	CONSOLIDATED MINING CORP LTD	1997/08/22	-0.047	0.436	Share
75	JCI LTD	JCI GOLD LTD	1999/12/06	0.064	0.745	Share
76	LYONS FINANCIAL SOLUTIONS HO	LYONS FINANCIAL SOLUTIONS PTY LTD	2000/02/02	1.401	0.696	Cash and Share
77	MARLIN HOLDINGS LIMITED	MARLIN CORPORATION LIMITED	2002/01/31	0.419	0.51	Cash
78	MATHOMO GROUP LIMITED	DUCHINI FOOTWARE GROUP	1998/05/18	0.245	0.852	Undisclosed
79	METROFILE HOLDINGS LIMITED	CORPORATE MANAGEMENT SERVICE	1998/06/01	0.339	0.917	Cash and Share
80	METROFILE HOLDINGS LIMITED	COMPUTER CONFIGURATIONS HOLD	2000/11/13	-0.308	0.906	Share
81	MILKWORX LTD	SBBW HOLDINGS LTD	2000/09/04	-0.005	0.572	Cash
82	M-WEB HOLDINGS LIMITED	ASTAGA.COM	2001/01/17	0.169	0.808	Undisclosed

Sample No	Acquirer Name	Target Name	Announcement Date	Alpha	Beta	Acquisition Funding
83	NATIONAL SPORTING INDEX LTD	CALL 9 PTY LTD	1999/12/08	-0.637	0.135	Cash
84	NET 1 APPLIED TECH HOLDINGS	NET1 INVESTMENT HOLDINGS PTY LTD	2000/07/12	-0.018	1.142	Share
85	NEW AFRICA INVESTMENTS LTD	METROPOLITAN LIFE LTD	1997/06/25	-0.053	1.139	Cash and Share
86	NEW CLICKS HOLDINGS LTD	PRICELINE	1998/05/13	0.191	0.978	Undisclosed
87	NEW CLICKS HOLDINGS LTD	HOUSE	2000/12/06	0.048	0.74	Cash
88	NEW CLICKS HOLDINGS LTD	MODISONS	2001/01/15	0.035	0.791	Undisclosed
89	O'HAGAN'S INVESTMENT HLDGS	O'HAGAN'S INTERNATIONAL LIMIT	1999/02/12	-0.145	0.597	Share
90	OTR MINING LTD	BRITSAF TRADING & INVESTMENT CO (PROPRIETARY) LTD	1999/11/02	-0.137	0.268	Share
91	OXBRIDGE ONLINE LIMITED	*MISTAKE OXBRIDGE SOLUTIONS GROUP LIMITED	1999/01/28	-0.084	0.682	Share
92	PARACON HOLDINGS LTD	PERSONNEL CONCEPT PTY LTD/TH	2006/10/26	0.197	0.376	Cash and Share
93	PASDEC RESOURCES SA LTD	FEMCO MINING MOTORS PTY LTD	2001/03/26	0.417	0.58	Cash
94	PINNACLE TECHNOLOGY HLDGS	SELECTIVE FINANCIAL SERVICES GROUP LTD	1998/06/29	1.379	1.045	Undisclosed
95	PLASGROUP LIMITED	ILLMANS PLASTIC INJECTION MOULDING BUSINESS	1999/08/10	-0.213	0.28	Cash
96	PRADA TECHNOLOGIES LIMITED	BRAINWARE MIT SOLUTIONS PROPRIETARY LTD	1999/11/17	0.257	-2.179	Cash and Share
97	PRESIDENT STEYN GOLD MINES	TM TRAINING INITIATIVE SKILLS ENHANCEMENT COLLEGE	1999/02/22	-0.234	1.579	Cash
98	PRESIDENT STEYN GOLD MINES	JR 145 INVESTMENTS LTD	2000/03/30	-0.277	1.365	Share
99	PRISM HOLDINGS LTD	ACCORD TECHNOLOGIES LIMITED	2000/04/04	1.434	0.644	Cash and Share

Sample No	Acquirer Name	Target Name	Announcement Date	Alpha	Beta	Acquisition Funding
100	Q MART HOLDINGS LTD	VAAL TRIANGLE TRADING DVISION	2000/02/15	0.052	0.313	Cash or Share
101	QUICK HOLDINGS LIMITED	LUSITANIA FOOD PRODUCTS PTY LTD	1998/11/20	2.584	0.448	Undisclosed
102	RANDFONTEIN ESTATES LIMITED	LINDUM REEFS GOLD MINING CO	1998/01/19	-0.388	0.569	Share
103	RANDGOLD & EXPLORATION CO	FREE STATE DEVELOPMENT & INV	2003/08/21	0.423	0.566	Share
104	REAL AFRICA HOLDINGS LTD	ADVANCED WEALTH MANAGEMENT P	2001/11/20	-0.009	0.556	Undisclosed
105	REAL PEOPLE FINANCE LTD	CATWALK INVESTMENTS 250 LTD	2000/07/05	0.153	1.181	Share
106	REGAL TREASURY BANK HOLDINGS	SEMPRES INTL TECHNOLOGY HLDG	2001/02/28	-0.028	0.656	Cash
107	RENAISSANCE RETAIL GROUP LTD	FORTY WINKS AND MATTRESS WORLD	1998/05/19	0.882	0.601	Cash
108	RENAISSANCE RETAIL GROUP LTD	TV PRODUCTS LTD	1998/09/04	-0.184	0.792	Cash
109	SAIL GROUP LTD	SAIL SPORT & ENTERTAINMENT P	2001/11/16	0.046	0.571	Cash and Share
110	SALLIES LTD	INTERNATIONAL GOAL MINING	2006/02/09	0.259	0.265	Cash and Share
111	SANTOVA LOGISTICS LTD	IMPSON FREIGHT	2007/08/27	0.209	0.379	Share
112	SENTRY GROUP LIMITED	ELECTROGUARD	1998/11/19	0.41	0.955	Cash and Share
113	SET POINT GROUP LTD	MEASUREMENT TECHNIQUES LTD	1998/10/13	0.704	1.223	Cash
114	SET POINT GROUP LTD	WEARCHECK LTD	1999/02/11	0.544	1.119	Cash
115	SET POINT GROUP LTD	DAVID BISHOP INSTRUMENTS LTD	1999/07/21	0.103	1.062	Undisclosed
116	SIMMER & JACK MINES LTD	TRANSVAAL GOLD MINING ESTATES LTD	1999/08/20	0.301	0.647	Cash and Share

Sample No	Acquirer Name	Target Name	Announcement Date	Alpha	Beta	Acquisition Funding
117	SOFTLINE LTD	HIX GROUP	1998/06/19	0.296	0.963	Cash and Share
118	SOFTLINE LTD	SYBIZ SOFTWARE	1998/11/26	0.585	1.25	Undisclosed
119	SOFTLINE LTD	DATAFACTION INC	1999/01/06	0.623	1.251	Cash and Share
120	SOFTLINE LTD	PASTEL SOFTWARE LTD	1999/02/16	0.659	1.252	Cash
121	SOFTLINE LTD	BUSINESS VISION	2000/08/16	-0.19	1.113	Cash and Share
122	SOFTLINE LTD	ACCOUNTMATE SOFTWARE CORP	2000/12/07	-0.408	1.191	Cash and Share
123	SOTTA SECURITISATION INTL	QUYN SECURITIES PTY LTD	2000/03/06	0.015	0.742	Cash and Share
124	SPICER HOLDINGS LTD	TECHNICARE LTD	1998/06/17	0.731	1.021	Share
125	SPICER HOLDINGS LTD	TCM BUSINESS SYSTEMS	1998/08/18	0.779	0.999	Share
126	SPICER HOLDINGS LTD	INTER IT KONSULT I SVERIGE AB	1999/08/24	0.342	1.479	Cash and Share
127	STREAMWORKS GROUP LTD	LOGICON CC	2000/01/31	0.125	0.652	Undisclosed
128	TERRAFIN HOLDINGS LIMITED	SABOT MANAGEMENT LTD	1999/01/05	3.775	-0.64	Cash and Share
129	TIGON LIMITED	EURO POINT FINANCIAL SERVICES GROUP	1998/10/16	0.26	0.632	Undisclosed
130	TIGON LIMITED	COTTON KING	2000/01/26	0.256	0.435	Undisclosed
131	TIGON LIMITED	PROGRESSIVE SYSTEMS COLLEGE	2000/03/24	0.165	0.455	Undisclosed
132	TIGON LIMITED	BAROTEX TECHNOLOGY CORP	2000/11/17	0.207	0.508	Cash
133	TIGON LIMITED	INKTEC SA PTY LTD	2001/02/07	0.334	0.424	Cash

Sample No	Acquirer Name	Target Name	Announcement Date	Alpha	Beta	Acquisition Funding
134	TISEC LTD	IDE SECURITIES	2000/08/16	0.097	0.618	Cash and Share
135	TOP INFO TECHNOLOGY HOLDINGS	A&L BUSINESS SOLUTIONS PTY LTD	1998/10/07	0.095	0.856	Cash and Share
136	TRADEK HOLDINGS LIMITED	V H SIMMONS & CO PTY LTD	1999/11/16	0.321	-0.027	Cash
137	TREMATON CAPITAL INVESTMENT	CLOUDBERRY INVESTMENTS 18 PR	2007/11/22	0.186	0.457	Cash
138	UNIFER HOLDINGS LTD	CONSTANTIA INSURANCE CO LTD	1998/09/01	-0.12	0.724	Cash and Share
139	UNIFER HOLDINGS LTD	FEB INVESTMENTS LTD	1998/10/13	-0.426	1.282	Cash and Share
140	UNION MINES LIMITED	2 PRIVATE COMPANIES	2000/01/19	0.522	0.429	Share
141	VENTER LEISURE & COM TRAILER	COMMERCIAL INTEGRATED TRANSPORT INVESTMENTS PTY LTD	2000/02/22	0.397	0.345	Share
142	VOX TELECOM LTD	PROGRESSIVE SYSTEMS NATAL CC	1999/02/03	-0.134	0.262	Cash and Share
143	VOX TELECOM LTD	DEFINITY TELECOMMUNICATIONS	2006/05/16	-0.039	0.427	Cash and Share
144	VUKILE PROPERTY FUND LTD	MICC PROPERTY INCOME FUND LT	2004/09/07	0.017	0.256	Share
145	WESTERN CAPE PROPERTY CO LTD	SYFIN HOLDINGS PTY LTD	1998/08/17	-0.21	0.764	Undisclosed
146	WINECORP LIMITED	SPIER HOME FARMS WINERY	1999/02/09	0.297	0.409	Share

7.2 Cash-funded transaction sample for event study

Sample No	Acquirer Name	Target Name	Announce Date	Alpha	Beta	Acquisition Funding
1	ABSOLUTE HOLDINGS	ASKARI MINING & EQUIPMENT LT	2001/08/31	2.092	2.31	Cash
2	ALEXANDER FORBES LTD	NELSON HURST PLC	1997/07/16	0.108	0.839	Cash
3	ANDULELA INVESTMENT HOLDINGS	2 PROPERTIES	2004/08/17	0.046	0.435	Cash
4	AVI LTD	CONSOL LIMITED/OLD	1997/11/17	-0.188	0.915	Cash
5	AWETHU BREWERIES LIMITED	RMD FINANCIAL SERVICES LTD	1998/11/02	-0.19	0.664	Cash
6	CAPE EMPOWERMENT TRUST LTD	DYNAMIC CABLES RSA LTD	2000/05/12	-0.051	0.223	Cash
7	CAPESTAR GROWTH INVESTMENTS	WASTE SERVICES & HYDROCHEM	1998/11/18	0.169	0.543	Cash
8	CHESTER INVESTMENT HOLDINGS	CHET INDUSTRIES LTD	2001/01/24	0.17	0.518	Cash
9	CHESTER INVESTMENT HOLDINGS	BRANDCORP HOLDINGS LTD	2001/03/20	0.17	0.527	Cash
10	COMPUTER CONFIGURATIONS HOLD	INFRACOM LTD	1999/02/11	0.935	1.284	Cash
11	CYCAD FINANCIAL HOLDINGS LTD	LEGACY FINANCIAL HOLDINGS LTD	1999/06/09	-0.023	0.37	Cash
12	CYCAD FINANCIAL HOLDINGS LTD	EGOLF LTD	2000/03/06	-0.122	0.388	Cash
13	DE BEERS-CENTENARY LINKED-UT	AFRICAN RAINBOW MINERALS LTD	1999/05/24	0.088	0.917	Cash
14	DE BEERS-CENTENARY LINKED-UT	INDUS & COMMERCIAL HLDGS GRP	2000/05/23	0.098	1.084	Cash
15	DE BEERS-CENTENARY LINKED-UT	WINSPEAR DIAMONDS INC	2000/06/26	0.054	1.123	Cash
16	DRDGOLD LTD	DOME RESOURCES NL	2001/02/01	-0.059	0.583	Cash

Sample No	Acquirer Name	Target Name	Announce Date	Alpha	Beta	Acquisition Funding
17	DYNAMIC CABLES RSA LTD	CAPENSIS	2006/03/14	1.336	0.887	Cash
18	FORZA GROUP LTD	NEWINVEST 151 PTY LTD	2000/05/23	-0.28	0.196	Cash
19	IDION TECHNOLOGY HOLDINGS	VISION SOLUTIONS INC	2000/03/01	0.536	1.062	Cash
20	IDION TECHNOLOGY HOLDINGS	OS SOLUTIONS LTD	2005/02/28	-0.122	0.559	Cash
21	I-FUSION HOLDINGS LTD	WORLDLOGIC CORP USA INC	1998/10/08	0.419	1.376	Cash
22	MARLIN HOLDINGS LIMITED	MARLIN CORPORATION LIMITED	2002/01/31	0.419	0.51	Cash
23	MILKWORX LTD	SBBW HOLDINGS LTD	2000/09/04	-0.005	0.572	Cash
24	NATIONAL SPORTING INDEX LTD	CALL 9 PTY LTD	1999/12/08	-0.637	0.135	Cash
25	NEW CLICKS HOLDINGS LTD	HOUSE	2000/12/06	0.048	0.74	Cash
26	PASDEC RESOURCES SA LTD	FEMCO MINING MOTORS PTY LTD	2001/03/26	0.417	0.58	Cash
27	PLASGROUP LIMITED	ILLMANS PLASTIC INJECTION MOULDING BUSINESS	1999/08/10	-0.213	0.28	Cash
28	PRESIDENT STEYN GOLD MINES	TM TRAINING INITIATIVE SKILLS ENHANCEMENT COLLEGE	1999/02/22	-0.234	1.579	Cash
29	REGAL TREASURY BANK HOLDINGS	SEMPRES INTL TECHNOLOGY HLDG	2001/02/28	-0.028	0.656	Cash
30	RENAISSANCE RETAIL GROUP LTD	FORTY WINKS AND MATTRESS WORLD	1998/05/19	0.882	0.601	Cash
31	RENAISSANCE RETAIL GROUP LTD	TV PRODUCTS LTD	1998/09/04	-0.184	0.792	Cash
32	SET POINT GROUP LTD	MEASUREMENT TECHNIQUES LTD	1998/10/13	0.704	1.223	Cash
33	SET POINT GROUP LTD	WEARCHECK LTD	1999/02/11	0.544	1.119	Cash

Sample No	Acquirer Name	Target Name	Announce Date	Alpha	Beta	Acquisition Funding
34	SOFTLINE LTD	PASTEL SOFTWARE LTD	1999/02/16	0.659	1.252	Cash
35	TIGON LIMITED	BAROTEX TECHNOLOGY CORP	2000/11/17	0.207	0.508	Cash
36	TIGON LIMITED	INKTEC SA PTY LTD	2001/02/07	0.334	0.424	Cash
37	TRADEK HOLDINGS LIMITED	V H SIMMONS & CO PTY LTD	1999/11/16	0.321	-0.027	Cash
38	TREMATON CAPITAL INVESTMENT	CLOUDBERRY INVESTMENTS 18 PR	2007/11/22	0.186	0.457	Cash

7.3 Share-funded transaction sample for event study

Sample No	Acquirer Name	Target Name	Announcement Date	Alpha	Beta	Acquisition Funding
1	AFRIBRAND HOLDINGS LTD	ARMATO CORPORATION LIMITED	1998/08/05	0.046	0.849	Share
2	AFRICAN MEDIA ENTERTAINMENT	UNITED STATIONS	2003/02/14	4.998	0.616	Share
3	AFRICAN RAINBOW MINERALS LTD	AVMIN LTD	1998/09/25	-0.303	0.67	Share
4	ANDULELA INVESTMENT HOLDINGS	TRIDENT INSURANCE BROKERS PTY LTD	2000/04/03	0.607	0.12	Share
5	BEST CUT LTD	INTEGREAR	2000/09/19	0.401	0.352	Share
6	BIDVEST GROUP LTD	LITHOTECH LIMITED	1998/11/27	0.147	0.93	Share
7	BILLBOARD HOLDINGS LTD	PRIME EVENTS (PTY) LTD	1998/12/07	-0.154	1.39	Share
8	BYTES TECHNOLOGY GROUP LTD	CS COMPUTER SERVICES HLDGS	2004/08/16	0.129	0.466	Share
9	CONNECTION GROUP HOLDINGS	CMPTR SPRSTRS& TECHNOBYTE	1998/02/25	0.045	1.015	Share
10	CONNECTION GROUP HOLDINGS	INCREDIBLE CONNECTION LTD	1998/11/12	0.32	1.309	Share
11	CORPCAPITAL LTD	MICAWBER 274 LTD	1998/08/17	0.295	1.034	Share
12	IOTA FINANCIAL SERVICES LTD	OUTSOURCING SERVICES MANAGEMENT GROUP	1998/07/15	1.341	0.733	Share

Sample No	Acquirer Name	Target Name	Announcement Date	Alpha	Beta	Acquisition Funding
13	JCI LTD	CONSOLIDATED MINING CORP LTD	1997/08/22	-0.047	0.436	Share
14	JCI LTD	JCI GOLD LTD	1999/12/06	0.064	0.745	Share
15	METROFILE HOLDINGS LIMITED	COMPUTER CONFIGURATIONS HOLD	2000/11/13	-0.308	0.906	Share
16	NET 1 APPLIED TECH HOLDINGS	NET1 INVESTMENT HOLDINGS PTY LTD	2000/07/12	-0.018	1.142	Share
17	O'HAGAN'S INVESTMENT HLDGS	O'HAGAN'S INTERNATIONAL LIMIT	1999/02/12	-0.145	0.597	Share
18	OTR MINING LTD	BRITSAF TRADING & INVESTMENT CO (PROPRIETARY) LTD	1999/11/02	-0.137	0.268	Share
19	OXBRIDGE ONLINE LIMITED	*MISTAKE OXBRIDGE SOLUTIONS GROUP LIMITED	1999/01/28	-0.084	0.682	Share
20	PRESIDENT STEYN GOLD MINES	JR 145 INVESTMENTS LTD	2000/03/30	-0.277	1.365	Share
21	RANDFONTEIN ESTATES LIMITED	LINDUM REEFS GOLD MINING CO	1998/01/19	-0.388	0.569	Share
22	RANDGOLD & EXPLORATION CO	FREE STATE DEVELOPMENT & INV	2003/08/21	0.423	0.566	Share
23	REAL PEOPLE FINANCE LTD	CATWALK INVESTMENTS 250 LTD	2000/07/05	0.153	1.181	Share
24	SANTOVA LOGISTICS LTD	IMPSON FREIGHT	2007/08/27	0.209	0.379	Share
25	SPICER HOLDINGS LTD	TECHNICARE LTD	1998/06/17	0.731	1.021	Share

Sample No	Acquirer Name	Target Name	Announcement Date	Alpha	Beta	Acquisition Funding
26	SPICER HOLDINGS LTD	TCM BUSINESS SYSTEMS	1998/08/18	0.779	0.999	Share
27	UNION MINES LIMITED	2 PRIVATE COMPANIES	2000/01/19	0.522	0.429	Share
28	VENTER LEISURE & COM TRAILER	COMMERCIAL INTEGRATED TRANSPORT INVESTMENTS PTY LTD	2000/02/22	0.397	0.345	Share
29	VUKILE PROPERTY FUND LTD	MICC PROPERTY INCOME FUND LT	2004/09/07	0.017	0.256	Share
30	WINECORP LIMITED	SPIER HOME FARMS WINERY	1999/02/09	0.297	0.409	Share

7.4 Full transaction sample for performance study

Sample No	Acquirer Name	Target Name	Announcement Date	Acquisition Funding
1	IMPALA PLATINUM HOLDINGS LTD	ZIMPLATS HOLDINGS LTD	2003/06/30	Cash
2	ANGLO PLATINUM LTD	NORTHAM PLATINUM LTD	2000/03/07	Cash
3	BRAIT SA	CONSOL LTD	2006/12/18	Cash
4	IMPALA PLATINUM HOLDINGS LTD	AFRICAN PLATINUM PLC	2007/02/16	Cash
5	CHESTER INVESTMENT HOLDINGS	BRANDCORP HOLDINGS LTD	2001/03/20	Cash
6	CORONATION HOLDINGS LTD	AFRICAN HARVEST LTD	2003/03/03	Cash
7	NAMPAK LTD	PLYSU PLC	1999/10/21	Cash
8	SUN INTERNATIONAL LTD	REAL AFRICA HOLDINGS LTD	2006/03/27	Cash
9	BRAIT SA	LOGOPT LIMITED	2000/11/29	Cash
10	MURRAY & ROBERTS HOLDINGS	CONCOR LIMITED	2005/09/02	Cash
11	HUDACO INDUSTRIES LTD	ELVEY SECURITY TECHNOLOGIES	2001/02/27	Cash
12	HARMONY GOLD MINING CO LTD	NEW HAMPTON GOLDFIELDS LTD	2000/12/19	Cash
13	SANTAM LTD	GUARDIAN NATIONAL INSURANCE	2000/01/11	Cash
14	CORPCAPITAL LTD	VESTACOR LTD	2003/01/06	Cash
15	AMB HOLDINGS LTD	AMB PRIVATE EQUITY PARTN-UTS	2003/05/27	Cash
16	MUSTEK LTD	RECTRON HOLDINGS LIMITED	2002/03/25	Cash

Sample No	Acquirer Name	Target Name	Announcement Date	Acquisition Funding
17	MASSMART HOLDINGS LTD	MORESPORT HOLDINGS LIMITED	2005/04/26	Cash
18	MICAWBER 274 LTD	MACADAMS BAKERY SUPPLIES HLD	2000/09/08	Cash
19	MURRAY & ROBERTS HOLDINGS	CLOUGH LIMITED	2007/11/06	Cash
20	AFRICAN RAINBOW MINERALS LTD	ARCELORMITTAL SOUTH AFRICA	2001/02/01	Cash
21	AVENG LTD	MCCONNELL DOWELL CORP LTD	2003/04/08	Cash
22	HARMONY GOLD MINING CO LTD	VILLAGE MAIN REEF GOLD MNG	2006/06/21	Cash
23	CAPE EMPOWERMENT TRUST LTD	DYNAMIC CABLES RSA LTD	2000/05/12	Cash
24	ADCORP HOLDINGS LTD	ACUMEN HOLDINGS LIMITED	2000/05/22	Cash and Share
25	AMALGAMATED BEVERAGE INDS	SUNCRUSH LIMITED	1997/12/23	Cash and Share
26	EMIRA PROPERTY FUND	FREESTONE PROPERTY HLDGS	2006/12/18	Cash and Share
27	GRINDROD LTD	GRIFFIN SHIPPING HLDGS LTD	1998/06/03	Cash and Share
28	AECI LTD	CHEMICAL SERVICES LTD	2003/09/04	Cash and Share
29	AVENG LTD	LTA LIMITED	2000/07/10	Cash or Share
30	SUN INTERNATIONAL LTD	SUN INTL SOUTH AFRICA LTD	2004/04/06	Cash or Share
31	ELB GROUP LTD	BATEMAN INDUSTRIAL CORP LTD	1999/09/15	Cash or Share
32	METROFILE HOLDINGS LIMITED	COMPUTER CONFIGURATIONS HOLD	2000/11/13	Share
33	FOUNTAINHEAD PROPERTY TRUST	ALLAN GRAY PROPERTIES INVEST	2001/08/03	Share

Sample No	Acquirer Name	Target Name	Announcement Date	Acquisition Funding
34	MEDI-CLINIC CORP LTD	AUKLAND HEALTH LIMITED	1998/06/18	Share
35	CORPCAPITAL LTD	MICAWBER 274 LTD	2001/03/27	Share
36	ABSA TRADING & INVESTMENT SO	REAL AFRICA DUROLINK HLDGS	2001/04/10	Share
37	PROFURN LIMITED	FASHION AFRICA LIMITED	1998/04/30	Share
38	AFRIBRAND HOLDINGS LTD	ARMATO CORPORATION LIMITED	1998/08/05	Share
39	PEPKOR LIMITED	PEP LIMITED	1998/10/19	Share
40	NEW AFRICA INVESTMENTS LTD	METROPOLITAN LIFE LTD	2001/03/06	Share
41	HARMONY GOLD MINING CO LTD	AVGOLD LTD	2004/05/11	Share
42	STEINHOFF INTL HOLDINGS LTD	UNITRANS LTD	2007/03/23	Share
43	KAP INTERNATIONAL HOLDINGS L	GLODINA HOLDINGS LTD	2004/08/20	Share
44	HARMONY GOLD MINING CO LTD	KALAHARI GOLDRIDGE MINING	1999/08/05	Share
45	AFRICAN OXYGEN LIMITED	AFROX HEALTHCARE LTD	2004/11/30	Undisclosed
46	NAMPAK LTD	NAMPAK LTD	2005/08/18	Undisclosed
47	DIGICORE HOLDINGS LIMITED	DIGICORE HOLDINGS LIMITED	2004/03/05	Undisclosed
48	GRINTEK LTD	GRINTEK LTD	2002/05/03	Undisclosed
49	TIGER BRANDS LTD	NATIONAL CHICK LTD	2000/09/22	Undisclosed
50	METROPOLITAN HOLDINGS LTD	METROPOLITAN HOLDINGS LTD	2003/11/04	Undisclosed

Sample No	Acquirer Name	Target Name	Announcement Date	Acquisition Funding
51	SPESCOM LTD	ENTERPRISE INFORMATICS INC	2000/01/21	Undisclosed

7.5 Cash-funded transaction sample for performance study

Sample No	Acquirer Name	Target Name	Announcement Date	Acquisition Funding
1	IMPALA PLATINUM HOLDINGS LTD	ZIMPLATS HOLDINGS LTD	2003/06/30	Cash
2	ANGLO PLATINUM LTD	NORTHAM PLATINUM LTD	2000/03/07	Cash
3	BRAIT SA	CONSOL LTD	2006/12/18	Cash
4	IMPALA PLATINUM HOLDINGS LTD	AFRICAN PLATINUM PLC	2007/02/16	Cash
5	CHESTER INVESTMENT HOLDINGS	BRANDCORP HOLDINGS LTD	2001/03/20	Cash
6	CORONATION HOLDINGS LTD	AFRICAN HARVEST LTD	2003/03/03	Cash
7	NAMPAK LTD	PLYSU PLC	1999/10/21	Cash
8	SUN INTERNATIONAL LTD	REAL AFRICA HOLDINGS LTD	2006/03/27	Cash
9	BRAIT SA	LOGOPT LIMITED	2000/11/29	Cash
10	MURRAY & ROBERTS HOLDINGS	CONCOR LIMITED	2005/09/02	Cash
11	HUDACO INDUSTRIES LTD	ELVEY SECURITY TECHNOLOGIES	2001/02/27	Cash
12	HARMONY GOLD MINING CO LTD	NEW HAMPTON GOLDFIELDS LTD	2000/12/19	Cash
13	SANTAM LTD	GUARDIAN NATIONAL INSURANCE	2000/01/11	Cash
14	CORPCAPITAL LTD	VESTACOR LTD	2003/01/06	Cash
15	AMB HOLDINGS LTD	AMB PRIVATE EQUITY PARTN-UTS	2003/05/27	Cash
16	MUSTEK LTD	RECTRON HOLDINGS LIMITED	2002/03/25	Cash

Sample No	Acquirer Name	Target Name	Announcement Date	Acquisition Funding
17	MASSMART HOLDINGS LTD	MORESPORT HOLDINGS LIMITED	2005/04/26	Cash
18	MICAWBER 274 LTD	MACADAMS BAKERY SUPPLIES HLD	2000/09/08	Cash
19	MURRAY & ROBERTS HOLDINGS	CLOUGH LIMITED	2007/11/06	Cash
20	AFRICAN RAINBOW MINERALS LTD	ARCELORMITTAL SOUTH AFRICA	2001/02/01	Cash
21	AVENG LTD	MCCONNELL DOWELL CORP LTD	2003/04/08	Cash
22	HARMONY GOLD MINING CO LTD	VILLAGE MAIN REEF GOLD MNG	2006/06/21	Cash
23	CAPE EMPOWERMENT TRUST LTD	DYNAMIC CABLES RSA LTD	2000/05/12	Cash

7.6 Share-funded transaction sample for performance study

Sample No	Acquirer Name	Target Name	Announcement Date	Acquisition Funding
1	METROFILE HOLDINGS LIMITED	COMPUTER CONFIGURATIONS HOLD	2000/11/13	Share
2	FOUNTAINHEAD PROPERTY TRUST	ALLAN GRAY PROPERTIES INVEST	2001/08/03	Share
3	MEDI-CLINIC CORP LTD	AUKLAND HEALTH LIMITED	1998/06/18	Share
4	CORPCAPITAL LTD	MICAWBER 274 LTD	2001/03/27	Share
5	ABSA TRADING & INVESTMENT SO	REAL AFRICA DUROLINK HLDGS	2001/04/10	Share
6	PROFURN LIMITED	FASHION AFRICA LIMITED	1998/04/30	Share
7	AFRIBRAND HOLDINGS LTD	ARMATO CORPORATION LIMITED	1998/08/05	Share
8	PEPKOR LIMITED	PEP LIMITED	1998/10/19	Share
9	NEW AFRICA INVESTMENTS LTD	METROPOLITAN LIFE LTD	2001/03/06	Share
10	HARMONY GOLD MINING CO LTD	AVGOLD LTD	2004/05/11	Share
11	STEINHOFF INTL HOLDINGS LTD	UNITRANS LTD	2007/03/23	Share
12	KAP INTERNATIONAL HOLDINGS L	GLODINA HOLDINGS LTD	2004/08/20	Share
13	HARMONY GOLD MINING CO LTD	KALAHARI GOLDRIDGE MINING	1999/08/05	Share

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