

## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions and interpretations commencing on page 7 of this Circular apply to the entire Circular, including this cover page.

### Action required:

1. This entire Circular is important and should be read with particular attention to the section entitled "Action required by Rare Shareholders in relation to the Scheme", which commences on page 3.
2. If you are in any doubt as to what action to take, you should consult your Broker, CSDP, banker, accountant, attorney or other professional advisor immediately.
3. If you have disposed of all your Rare Shares, please forward this Circular and the attached Form of Proxy in respect of the General Meeting (*yellow*) and form of surrender and transfer (*blue*) to the purchaser to whom, or the Broker, CSDP, banker or other agent through whom, the disposal was effected.

**Rare and Mayfair do not accept responsibility, and will not be held liable, for any action of, or omission by, any CSDP or Broker including, without limitation, any failure on the part of the CSDP or Broker representing any beneficial owner of Rare Shares to notify such beneficial owner of the Scheme set out in this Circular.**



#### RARE HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)  
(Registration number 2002/025247/06)  
Share code: RAR, ISIN: ZAE000092714  
("RARE" or "THE COMPANY")

#### MAYFAIR SPECULATORS PROPRIETARY LIMITED

(Incorporated in the Republic of South Africa)  
(Registration number 1987/003548/07)  
("MAYFAIR")

## CIRCULAR TO RARE SHAREHOLDERS

### relating to:

- the scheme of arrangement in terms of section 114(1) of the Companies Act, proposed by the Rare Board between Rare and Rare Shareholders, in terms of which, if implemented, Mayfair will acquire all of the Scheme Shares from Scheme Participants for the Scheme Consideration, namely, a cash consideration of R1.50 (one rand and fifty cents) per Scheme Share; and
- the subsequent termination of the listing of Rare Shares on the JSE;

### and incorporating:

- a report prepared by the Independent Expert in terms of Companies Regulations 90 and 110 and section 114(3) of the Companies Act;
- extracts of section 115 of the Companies Act dealing with the approval requirements for the Scheme and section 164 of the Companies Act dealing with Dissenting Shareholders' Appraisal Rights;
- the Notice of General Meeting;
- a Form of Proxy in respect of the General Meeting (*yellow*) for use by Certificated Rare Shareholders and dematerialised Rare Shareholders with "own-name" registration; and
- a form of surrender and transfer in respect of the Scheme (*blue*) for use by Certificated Rare Shareholders.

#### Transaction Advisor and Designated Advisor to Rare



PSG CAPITAL

#### Independent Expert to Rare



CORPORATE FINANCE (PTY) LTD

*This Circular is only available in English. Copies of this Circular may be obtained during normal business hours from the registered office of Rare, the offices of PSG Capital and the Transfer Secretaries at their respective addresses set out in the "Corporate Information and Advisors" section of this Circular and on the website [www.rare.co.za](http://www.rare.co.za) from the date of issue hereof until the date of the General Meeting.*

**Date of issue: 25 July 2016**

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## IMPORTANT LEGAL NOTES

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The definitions and interpretations commencing on page 7 of this Circular apply to this Important Legal Notes section.

### FORWARD-LOOKING STATEMENTS

This Circular contains statements about Rare and Mayfair that are or may be forward-looking statements. All statements other than statements of a historical fact are, or may be deemed to be, forward-looking statements. These forward-looking statements are not based on historical facts, but rather reflect current expectations concerning future results and events and generally may be identified by the use of forward-looking words or phrases such as “believe”, “aim”, “expect”, “anticipate”, “intend”, “foresee”, “forecast”, “likely”, “should”, “planned”, “may”, “estimated”, “potential” or similar words and phrases.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Rare and Mayfair caution that forward-looking statements are not guarantees of future performance. Actual results, financial and operating conditions, liquidity and the developments within the industries in which Rare and Mayfair operate may differ materially from those made in, or suggested by, the forward-looking statements contained in this Circular.

All forward-looking statements are based on estimates and assumptions, as regards Rare, made by Rare or, as regards Mayfair, made by Mayfair, as communicated in publicly available documents by the respective companies, all of which estimates and assumptions, although Rare and Mayfair believe them to be reasonable, are inherently uncertain. Such estimates, assumptions or statements may not eventuate. Factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied in those statements or assumptions include other matters not yet known to Rare or Mayfair or not currently considered material by Rare or Mayfair.

Rare Shareholders should keep in mind that any forward-looking statement made in this Circular or elsewhere is applicable only at the date on which such forward-looking statement is made. New factors that could cause the business of either Rare or Mayfair not to develop as expected may emerge from time to time and it is not possible to predict all of them. Further, the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statement is not known. Rare and Mayfair have no duty to, and do not intend to, update or revise the forward-looking statements contained in this Circular after the date of this Circular, except as may be required by applicable South African law.

### FOREIGN RARE SHAREHOLDERS

This Circular has been prepared for the purposes of complying with the laws of South Africa and is subject to all South African applicable laws and regulations, including but not limited to the Companies Act and the Companies Regulations and the information disclosed may not be the same as that which would have been disclosed if this Circular had been prepared in accordance with the laws and regulations of any jurisdiction outside of South Africa.

The release, publication or distribution of this Circular in jurisdictions other than South Africa may be restricted by law and therefore any persons who are subject to the laws of any jurisdiction other than South Africa should inform themselves about, and observe, any and all applicable requirements. Any failure to comply with the applicable requirements may constitute a violation of the securities or other laws of any such jurisdiction.

This Circular is not intended to, and does not constitute, or form part of, an offer to sell or an invitation to purchase or subscribe for any securities or a solicitation of any vote or approval in any jurisdiction other than South Africa. This Circular does not constitute a prospectus or a prospectus equivalent document. Rare Shareholders are advised to read this Circular, which contains the full terms and conditions of the Scheme with care. Any decision to approve the Scheme or any other response to the Proposed Transaction should be made only on the basis of the information in this Circular.

This Circular and any accompanying documentation are not intended to, and do not constitute, or form part of, an offer to sell or a solicitation of any vote or approval in any jurisdiction in which it is unlawful to make such an offer or solicitation, or such offer or solicitation would require Rare or Mayfair to comply with disproportionately onerous filing and/or other disproportionately onerous regulatory obligations. In those circumstances or otherwise if the distribution of this Circular and any accompanying documentation in jurisdictions outside of South Africa are restricted or prohibited by the laws of such jurisdiction, this Circular and any accompanying documentation are deemed to have been sent for information purposes only and should not be copied or redistributed.

Rare Shareholders who are not resident in South Africa must satisfy themselves as to the full observance of the laws of any applicable jurisdiction concerning their election to receive the Scheme Consideration, including any requisite governmental or other consents, observing any other requisite formalities and paying any transfer or other taxes due in such other jurisdictions and are required to advise Rare of all such filing or regulatory obligations as Rare or Mayfair may be required to comply with in such jurisdictions in relation to the Scheme. Rare, Mayfair and their respective boards of directors accept no responsibility for the failure by a Rare Shareholder to inform itself about, or to observe, any applicable legal requirements in any relevant jurisdiction, nor for any failure by Rare or Mayfair to observe the requirements of any jurisdiction.

Any Rare Shareholder who is in doubt as to his position, including, without limitation, his tax status, should consult an appropriate independent professional advisor in the relevant jurisdiction without delay.

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## CORPORATE INFORMATION AND ADVISORS

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The definitions commencing on page 7 of this Circular apply *mutatis mutandis* to this Corporate Information and Advisors section.

### Directors

W van Coller (CEO)  
R Viljoen  
A Tasdhary  
T Siyolo (Chairman) \*  
H Odendaal \*\*  
SJDT Potgieter \*  
MT Lategan \*\*  
MHEY Girard \*\*

# Independent

\* non-executive

### Independent Expert

Mazars Corporate Finance Proprietary Limited  
54 Glenhove Road  
Melrose Arch Estate  
2076  
(PO Box 6697, Johannesburg, 2000)

### Independent Reporting Accountants and auditors

Baker Tilly Greenwoods  
2401 ABSA Centre  
2 Riebeeck Street  
Cape Town  
8001  
(PO Box 3311, Cape Town, 8000)

### Transfer Secretaries

Computershare Investor Services Proprietary Limited  
(Registration number 2004/003647/07)  
70 Marshall Street  
Johannesburg, 2001  
(PO Box 61051, Marshalltown, 2107)

### Company Secretary

Renier Viljoen  
22 Old Vereeniging Road  
Kliprivier  
Midvaal, 1949  
(PO Box 124186, Alrode, Johannesburg, 1451)

### Transaction advisor and sponsor

PSG Capital Proprietary Limited  
(Registration number 2006/015817/07)  
1st Floor, Ou Kollege  
35 Kerk Street  
Stellenbosch, 7600  
(PO Box 7403, Stellenbosch, 7599)  
and at  
1st Floor, Building 8  
Inanda Greens Business Park  
54 Wierda Road West  
Wierda Valley  
Sandton, 2196  
(PO Box 650957, Benmore, 2010)

### Mayfair Registered Office

Mayfair Speculators Proprietary Limited  
(Registration number 1987/003548/07)  
15 Quantum Street  
Techno Park  
Stellenbosch, 7600  
(PO Box 902, Somerset West, 7129)

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## TABLE OF CONTENTS

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|  |          |
|--|----------|
| <b>CORPORATE INFORMATION AND ADVISORS</b>  | 1        |
| <b>ACTION REQUIRED BY RARE SHAREHOLDERS IN RELATION TO THE SCHEME</b>  | 3        |
| <b>IMPORTANT DATES AND TIMES RELATING TO THE SCHEME</b>  | 6        |
| <b>DEFINITIONS AND INTERPRETATION</b>  | 7        |
| <b>CIRCULAR TO RARE SHAREHOLDERS</b>   |          |
| 1. Introduction  | 10       |
| 2. Purpose of this Circular  | 10       |
| 3. Information on Mayfair  | 10       |
| 4. The Scheme  | 11       |
| 5. Suspension and termination of the Rare listing  | 14       |
| 6. Interests of Mayfair and Mayfair Directors in Rare securities   | 14       |
| 7. Interests of Mayfair Directors in Mayfair securities  | 14       |
| 8. Interests of Rare and Rare Directors in Mayfair securities  | 14       |
| 9. Interests of Rare Directors in Rare securities  | 14       |
| 10. Remuneration of Rare Directors   | 14       |
| 11. Agreements in relation to the Scheme   | 14       |
| 12. Financial information  | 15       |
| 13. Report of the Independent Expert   | 15       |
| 14. The views of the Independent Board on the Scheme   | 15       |
| 15. Rare Directors' service contracts  | 15       |
| 16. Other service contracts  | 15       |
| 17. Intended action of Rare Directors  | 15       |
| 18. Irrevocable Commitments  | 15       |
| 19. Foreign Rare Shareholders and Exchange Control Regulations   | 15       |
| 20. Tax implications for Rare Shareholders   | 16       |
| 21. Independent Board responsibility statement   | 16       |
| 22. Mayfair's responsibility statement   | 16       |
| 23. Advisors' consents   | 16       |
| 24. Documents available for inspection   | 16       |
| <br>   |          |
| Annexure 1 Report of the Independent Expert regarding the Scheme   | 17       |
| Annexure 2 Three year audited historical financial information of Rare for the financial years ended 31 June 2013, 31 June 2014 and 31 June 2015 | 20       |
| Annexure 3 Reviewed condensed consolidated results of Rare for the six months ended 31 December 2015   | 68       |
| Annexure 4 Foreign Rare Shareholders and Exchange Control Regulations  | 74       |
| Annexure 5 Wording of section 115 and section 164 of the Companies Act   | 75       |
| Notice of General Meeting  | 79       |
| Form of proxy in respect of the General Meeting ( <i>yellow</i> )  | Attached |
| Form of surrender and transfer ( <i>blue</i> )   | Attached |

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## **ACTION REQUIRED BY RARE SHAREHOLDERS IN RELATION TO THE SCHEME**

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The definitions and interpretations commencing on page 7 of this Circular apply to this action required by Rare Shareholders in relation to the Scheme.

This Circular is important and requires your immediate attention. The action you need to take is set out below. If you are in any doubt as to what action to take, you should consult your Broker, CSDP, banker, accountant, attorney or other professional advisor. If you have disposed of all of your Rare Shares, this Circular should be handed to the purchaser to whom, or the Broker, CSDP or other agent through whom, the disposal was effected.

**A General Meeting of Rare Shareholders will be held at 10:00 on Wednesday, 24 August 2016 at the Rare offices situated at 22 Old Vereeniging, Kliprivier, Midvaal, 1949 to consider and, if deemed fit, to pass the Scheme Resolution required to approve the Scheme in terms of which Mayfair will acquire the Scheme Shares. Implementation of the Scheme will result in Mayfair acquiring all of the Rare Shares excluding those which are already owned by Mayfair and the Scheme Concert Parties and, to the extent applicable, any Rare Shares held by Dissenting Shareholders. Thereafter, the listing of Rare Shares on the JSE will be terminated. A notice convening the General Meeting is attached to, and forms part of, this Circular.**

### **1. ACTION REQUIRED BY CERTIFICATED RARE SHAREHOLDERS IN RELATION TO THE SCHEME**

#### **1.1 Voting, attendance and representation at the General Meeting**

You may attend, speak and vote at the General Meeting in person (or, if you are a company or other body corporate, be represented by a duly authorised natural person). Alternatively, you may appoint a proxy to represent you at the General Meeting by completing the attached Form of Proxy in respect of the General Meeting (*yellow*) in accordance with its instructions and returning it to the Transfer Secretaries at Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), to be received by them no later than 10:00 on Monday, 22 August 2016, alternatively, such completed forms of proxy may be handed to the chairman of the General Meeting prior to the commencement of the General Meeting.

#### **1.2 Surrender of Documents of Title**

1.2.1 Should you wish to vote in favour of the Scheme at the General Meeting (whether in person or by proxy), or should you wish to surrender your Documents of Title in anticipation of the Scheme becoming operative, kindly complete the attached form of surrender and transfer (*blue*) in accordance with the instructions set out therein and return it, together with the Documents of Title representing all your Rare Shares set out therein, to the Transfer Secretaries at Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61763, Marshalltown, 2107).

1.2.2 Documents of Title surrendered prior to 10:00 on the Scheme Consideration Record Date in anticipation of the Scheme becoming operative will be held in trust by the Transfer Secretaries, at the risk of the Rare Shareholder concerned, pending the Scheme becoming operative.

1.2.3 Should the Scheme Conditions be fulfilled and the Scheme become operative, Documents of Title held by Rare Shareholders in respect of their Rare Shares will cease to be of any value, and will not be good for delivery, from the Operative Date onwards, other than for surrender in terms of the Scheme and/or the Appraisal Rights.

1.2.4 Should the Scheme not become operative, any Documents of Title surrendered to and held by the Transfer Secretaries will be returned to the Rare Shareholder concerned by the Transfer Secretaries, at his own risk, by registered post within five Business Days from the date of receipt of the Documents of Title or the date on which it becomes known that the Scheme will not become operative, whichever is the later.

### **2. ACTION REQUIRED BY DEMATERIALISED "OWN-NAME" RARE SHAREHOLDERS**

#### **Voting, attendance and representation at the General Meeting**

You may attend, speak and vote at the General Meeting in person or, if you are a company or other body corporate, be represented by a duly authorised natural person. Alternatively, you may appoint a proxy to represent you at the General Meetings by completing the attached Form of Proxy in respect of the General Meeting (*yellow*) in accordance with its instructions and returning it to the Transfer Secretaries at Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), to be received by them no later than 10:00 on Monday, 22 August 2016, alternatively, such forms of proxy may be handed to the Chairman of the General Meeting prior to the holding of the vote in respect of the resolution in question.

### **3. DEMATERIALISED SHAREHOLDERS WHO ARE NOT "OWN-NAME" DEMATERIALISED SHAREHOLDERS**

#### **3.1 Voting at the General Meeting**

3.1.1 If you wish to attend the General Meeting, you should instruct your CSDP or Broker to issue you with the necessary letter of representation to attend the General Meeting in person, in the manner stipulated in the Custody Agreement governing the relationship between you and your CSDP or Broker. These instructions must be provided to the CSDP or Broker by the cut-off time and date advised by the CSDP or Broker for instructions of this nature.

- 3.1.2 If you do not wish to (or are unable to) attend the General Meeting, but wish to vote thereat, you should provide your CSDP or Broker with your voting instructions in the manner stipulated in the Custody Agreement governing the relationship between you and your CSDP or Broker. These instructions must be provided to the CSDP or Broker by the cut-off time and date advised by the CSDP or Broker for instructions of this nature. If your CSDP or Broker does not obtain voting instructions from you, it will be obliged to vote in accordance with the instructions contained in the Custody Agreement concluded between you and your CSDP or Broker.
- 3.1.3 You must **not** complete the attached Form of Proxy (yellow).

**3.2 Surrender of Documents of Title**

You do not have to surrender any Documents of Title. The transfer of your Scheme Shares will be handled by your CSDP or Broker.

**4. SETTLEMENT OF SCHEME CONSIDERATION**

- 4.1 Subject to paragraphs 4.2 and 4.6 below, and subject to the Scheme becoming operative, Scheme Participants will be entitled to receive the Scheme Consideration in respect of each Scheme Share held by them on the Scheme Consideration Record Date.
- 4.2 Rare or its agents will administer and effect settlement of the Scheme Consideration to Scheme Participants.
- 4.3 Scheme Participants who hold Dematerialised Shares will:
- 4.3.1 if they are not Dissenting Shareholders on the Scheme Consideration Record Date, have their accounts held at their CSDPs credited with the Scheme Consideration and debited with the Scheme Shares they are transferring to Mayfair pursuant to the implementation of the Scheme on the Operative Date; or;
- 4.3.2 if they are Dissenting Shareholders on the Scheme Consideration Record Date, but cease to be Dissenting Shareholders and become Scheme Participants pursuant to paragraph 4.8.1 (on page 13) of this Circular, have their accounts held at their CSDPs credited with the Scheme Consideration and debited with the Scheme Shares that they are transferring to Mayfair pursuant to the Scheme within five Business Days of the date on which they cease to be Dissenting Shareholders and become Scheme Participants.
- 4.4 Scheme Participants who hold Certificated Shares, and who are not Dissenting Shareholders on the Scheme Consideration Record Date, will:
- 4.4.1 if they have surrendered their Documents of Title and completed the Form of Surrender and Transfer (blue) to the Transfer Secretaries on or before 12:00 on the Scheme Consideration Record Date, have the cheques in respect of the Scheme Consideration posted to them, at their risk, within five Business Days of the Operative Date, unless they have elected to receive the Scheme Consideration by way of an EFT by completing the relevant section of the Form of Surrender and Transfer (blue), in which case the Scheme Consideration will be paid to them on the Operative Date by way of EFT; or
- 4.4.2 if they surrender their Documents of Title and completed Form of Surrender and Transfer (blue) to the Transfer Secretaries after 12:00 on the Scheme Consideration Record Date, have the cheques in respect of the Scheme Consideration posted to them, at their risk, or paid to them by way of an EFT (if this option was selected on the Form of Surrender and Transfer (blue), within three Business Days of the Transfer Secretaries receiving their Documents of Title and completed Form of Surrender and Transfer (blue).
- 4.5 Scheme Participants who hold Certificated Shares and who are Dissenting Shareholders on the Scheme Consideration Record Date, but who become Scheme Participants after the Scheme Consideration Record Date, will need to surrender their Documents of Title, together with completed Forms of Surrender and Transfer (blue), to the Transfer Secretaries, and will have cheques in respect of the Scheme Consideration posted to them, or paid to them by way of an EFT (if this option was selected on the Form of Surrender and Transfer (blue), at their risk, within three Business Days of the later of the date on which the Transfer Secretaries receive their Documents of Title and completed Forms of Surrender and Transfer (blue) and the date on which they cease to be Dissenting Shareholders.
- 4.6 Where, on or subsequent to the Operative Date, a person, who was not a registered holder of Scheme Shares on the Scheme Consideration Record Date, tenders to the Transfer Secretaries Documents of Title, together with a duly stamped Form of Surrender and Transfer (blue), purporting to have been executed by or on behalf of the registered holder of such Scheme Shares and, provided that the Scheme Consideration will not already have been posted or delivered to the registered holder of the relevant Scheme Shares, then such transfer may be accepted in their discretion by Rare and Mayfair as if it were a valid transfer to Mayfair of the Scheme Shares concerned, provided that Rare and Mayfair have been, if so required by either or both of them, provided with an indemnity on terms acceptable to them in respect of such Scheme Consideration.
- 4.7 The Scheme Consideration will be paid to Scheme Participants, in full, in accordance with the terms of the Scheme without regard to any lien, right of set-off, counterclaim or other analogous right to which Rare or Mayfair may otherwise be, or claim to be, entitled, save any statutory deduction.

- 4.8 If the Scheme becomes operative and you fail to surrender your Documents of Title and the completed the Form of Surrender and Transfer (*blue*) to the Transfer Secretaries within three years after the Operative Date or, if you are a Dissenting Shareholder who subsequently becomes a Scheme Participant pursuant to paragraph 4.8.1 (on page 13) of this Circular, within three years after the date on which you subsequently became a Scheme Participant pursuant to paragraph 4.8.1 (on page 13) of this Circular, the Scheme Consideration due to you, less the costs incurred, will be paid to the benefit of the Guardian's Fund of the Master of the High Court, from which it may be claimed by you, subject to the requirements imposed by the Master of the High Court. In this regard the Scheme Participants referred to in this paragraph 4.8 will be deemed to have irrevocably and unconditionally authorised and appointed Mayfair, *in rem suam*, with full power of substitution, to act as agent in the name, place and stead of such Scheme Participants to dispose of the Scheme Consideration and to pay the proceeds to the benefit of the Guardian's Fund in the aforesaid manner.

***Should you have any questions regarding the above, please contact your Broker or CSDP or telephone the Transfer Secretaries on 086 1100 634 (or +27 11 370 5000 if telephoning from outside South Africa) on every Business Day between 08:30 and 16:00, and they will be able to assist and advise you on what you need to do.***



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## IMPORTANT DATES AND TIMES RELATING TO THE SCHEME

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The definitions and interpretations commencing on page 7 of this Circular shall apply to this Important Dates and Times Relating to the Scheme section.

### 2016

|   |                      |
|---|----------------------|
| Record date for Rare Shareholders to be recorded in the Register in order to receive this Circular  | Friday, 15 July      |
| Circular posted to Rare Shareholders and notice convening the General Meeting released on SENS on   | Monday, 25 July      |
| Last date to trade in order to be eligible to vote at the Scheme Meeting  | Monday, 8 August     |
| Scheme Voting Record Date being 17:00 on  | Friday, 12 August    |
| Proxy forms to be lodged at the Transfer Secretaries by 10:00 on<br>(or handed to the chairman of the General Meeting prior to the commencement of the General Meeting)                               | Monday, 22 August    |
| Last date and time for Rare Shareholders to give notice to Rare objecting, in terms of section 164(3) of the Companies Act, to the Scheme Resolution for purposes of the Appraisal Rights by 10:30 on | Tuesday, 23 August   |
| General Meeting to be held at 10:00 on  | Wednesday, 24 August |
| Results of General Meeting released on SENS on  | Wednesday, 24 August |

#### **If the Scheme is approved by Rare Shareholders at the General Meeting:**

|   |                       |
|---|-----------------------|
| Last date for Rare Shareholders who voted against the Scheme to require Rare to seek court approval for the Scheme in terms of section 115(3)(a) of the Companies Act (where applicable) on | Tuesday, 6 September  |
| Last date for Rare Shareholders who voted against the Scheme to apply to court for leave to apply for a review of the Scheme in terms of section 115(3)(b) of the Companies Act on          | Tuesday, 6 September  |
| Last date for Rare to send objecting Rare Shareholders notices of the adoption of the Scheme Resolution, in accordance with section 164(4) of the Companies Act, on                         | Thursday, 8 September |

#### **Action**

***The following dates assume that neither court approval nor the review of the Scheme by the court is required and will be confirmed in the announcement if the Scheme becomes unconditional:***

|   |                         |
|---|-------------------------|
| Finalisation Date expected to be on   | Monday, 12 September    |
| Finalisation Date announcement expected to be released on SENS on   | Monday, 12 September    |
| Scheme LDT expected on  | Tuesday, 20 September   |
| Listing of Rare Shares suspended on the JSE from commencement of trade on   | Wednesday, 21 September |
| Scheme Consideration Record Date, being the date on which the Scheme Participants must be recorded in the Register in order to receive the Scheme Consideration, expected to be on or about   | Friday, 23 September    |
| Expected Operative Date of the Scheme on  | Monday, 26 September    |
| Scheme Consideration expected to be paid/posted to Certificated Scheme Participants (provided that the completed Form of Surrender and Transfer (blue) included with this Circular and accompanying Documents of Title are received on or prior to 12:00 on the Scheme Consideration Record Date) on or about | Monday, 26 September    |
| Dematerialised Scheme Participants expected to have their accounts (held at their CSDP or Broker) credited with the Scheme Consideration on or about  | Monday, 26 September    |
| Termination of listing of Rare Shares on the JSE expected to take place at the commencement of trade on the JSE on or about   | Tuesday, 27 September   |

#### **Notes:**

1. The above dates and times are subject to such changes as may be agreed to by Rare and Mayfair and approved by the JSE and/or the Takeover Regulation Panel, if required. If the Scheme Conditions are not met by 24 August 2016 (or such extended date in terms of paragraph 4.4.4 of this Circular), an updated timetable will be released on SENS and published in the South African press.
2. Rare Shareholders who wish to exercise their Appraisal Rights are referred to Annexure 5 to this Circular for purposes of determining the relevant timing for the exercise of their Appraisal Rights.
3. If the General Meeting is adjourned or postponed, forms of proxy submitted for the General Meeting will remain valid in respect of any adjournment or postponement of the General Meeting.
4. Although the salient dates and times are stated to be subject to change, such statement may not be regarded as consent or dispensation for any change to time periods which may be required in terms of the Companies Regulations, where applicable, and any such consents or dispensations must be specifically applied for and granted.
5. All times referred to in this Circular are references to South African time.



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## DEFINITIONS AND INTERPRETATION

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In this Circular, unless the context indicates a contrary intention, a word or an expression which denotes any gender includes the other genders, a natural person includes a juristic person and *vice versa*, the singular includes the plural and *vice versa* and the following words and expressions bear the meanings assigned to them below:

|  |  |
|--|--|
| “Appraisal Rights”   | the rights afforded to Rare Shareholders in terms of section 164 of the Companies Act, details of which are set out in <b>Annexure 5</b> to this Circular;   |
| “Broker”   | any person registered as a “ <i>broking member (equities)</i> ” in terms of the Rules of the JSE and in accordance with the provisions of the Financial Markets Act;   |
| “Business Day”   | a day which is not a Saturday, Sunday or official public holiday in South Africa;  |
| “cents”  | South African cents, the official currency of South Africa;  |
| “Certificated Shares”                                      | in relation to a share of a company, such share as evidenced by a Document of Title;   |
| “Certificated Rare Shareholders”                           | a shareholder that holds Certificated Shares;  |
| “Circular”   | this circular to Rare Shareholders, dated 25 July 2016, together with the annexures hereto, and including the Notice of General Meeting, the Form of Proxy ( <i>yellow</i> ) in relation to the General Meeting and the Form of Surrender and Transfer ( <i>blue</i> );  |
| “Common Monetary Area”                                     | South Africa, the Republic of Namibia and the Kingdoms of Lesotho and Swaziland;   |
| “Companies Act”  | the Companies Act, No. 71 of 2008, as amended from time to time;   |
| “Companies Regulations”                                    | the Companies Regulations, 2011, promulgated under the Companies Act, as amended from time to time;  |
| “CSDP”   | Central Securities Depository Participant as defined in the Financial Markets Act;   |
| Delisting  | subsequent to the implementation and completion of the Scheme, the termination of the listing of Rare Shares from the JSE in terms of section 1.16(b) of the JSE Listings Requirements;  |
| “Dematerialise” or “Dematerialised” or “Dematerialisation” | the process by which Certificated shares are converted into an electronic format as Dematerialised shares and recorded in a company’s uncertificated securities register administered by a CSDP;   |
| “Dematerialised Rare Shareholders”                         | holders of Dematerialised Rare Shares;   |
| “Dissenting Shareholders”                                  | Rare Shareholders who validly exercise their Appraisal Rights by, among other things, objecting in advance to, and voting against, the Scheme Resolution at the General Meeting and by demanding, in terms of sections 164(5) to 164(8) of the Companies Act, that Rare pay them the fair value for their Rare Shares;         |
| “Doculate”   | Doculate Investments Proprietary Limited (Registration number 2011/144977/07), a private company incorporated under the laws of South Africa;  |
| “Document of Title”  | share certificates, certified transfer deeds, balance receipts or any other physical documents of title pertaining to the Rare Shares in question acceptable to the Rare Board;  |
| “EFT”  | Electronic Funds Transfer;   |
| “Exchange Control Regulations”                             | the Exchange Control Regulations, 1961, as amended from time to time, issued in terms of section 9 of the Currency and Exchanges Act, No. 9 of 1933, as amended from time to time;   |
| “Finalisation Date”  | the date on which all the Scheme Conditions shall have been fulfilled or waived, as the case may be, as set out in paragraph 4.4 of this Circular;   |
| “Financial Markets Act”                                    | the Financial Markets Act, No. 19 of 2012, as amended from time to time;   |
| “Firm Intention Announcement”                              | the announcement by Rare published on SENS on Monday, 27 June 2016;  |
| “Firm Intention Offer Letter”                              | the letter addressed by Mayfair to the Rare Board, dated 5 May 2016, confirming Mayfair’s conditional firm intention to make an offer to acquire all Scheme Shares, the terms of which letter was accepted by the Independent Board and became a firm intention to make an offer upon the fulfilment of certain preconditions; |
| “Foreign Rare Shareholder”                                 | an Rare Shareholder who is a non-resident of South Africa, as contemplated in the Exchange Control Regulations;  |

|                                    |  |
|------------------------------------|--|
| “Form of Proxy”                    | for purposes of the General Meeting, the Form of Proxy (yellow) for use by Certificated Rare Shareholders and Dematerialised Rare Shareholders with Own-Name Registration only, enclosed herewith;   |
| “Form of Surrender and Transfer”   | a form of surrender, transfer and acceptance (blue) in respect of the Scheme for use by Certificated Rare Shareholders only, enclosed herewith;  |
| “FSB”                              | Financial Services Board;  |
| “General Meeting”                  | the general meeting of Rare Shareholders to be held at 10:00 on Wednesday, 24 August 2016 at 22 Old Vereeniging, Kliprivier, Midvaal to consider and, if deemed fit, approve the Scheme Resolution;  |
| “Guardian’s Fund”                  | the Guardian’s Fund administered by the Master of the High Court of South Africa;  |
| “Independent Board”                | collectively, MT Lategan, H Odendaal and MHEY Girard, being the Rare Directors that Rare has indicated are independent directors in relation to the Scheme for purposes of the Companies Regulations;  |
| “Independent Expert”               | Mazars Corporate Finance, whose details appear in the “Corporate information and advisors” section of this Circular;   |
| “JSE”                              | the exchange, licensed under the Financial Markets Act, operated by JSE Limited (Registration number 2005/022939/06), a public company incorporated under the laws of South Africa;  |
| “JSE Listings Requirements”        | the Listings Requirements of the JSE in force as at the Last Practicable Date;   |
| “Last Practicable Date”            | the last practicable date prior to the finalisation of this Circular, being Monday, 18 July 2016;  |
| “Mayfair” or “Offeror”             | Mayfair Speculators Proprietary Limited (Registration number 1987/003548/07), a private company incorporated under the laws of South Africa, the ultimate beneficiaries being the Jooste family;   |
| “Notice of General Meeting”        | the notice convening the General Meeting forming part of this Circular;  |
| “Offer”                            | means the offer by Mayfair to acquire all the Scheme Shares, by way of the Scheme as set out in the Firm Intention Offer Letter;   |
| “Offer Date”                       | the date of the Firm Intention Offer Letter, being 5 May 2016;   |
| “Operative Date”                   | the date on which the Scheme becomes operative, being the first Business Day immediately following the Scheme Consideration Record Date, which operative date is expected to be Tuesday, 27 September 2016;  |
| “Proposed Transaction”             | the transaction pursuant to which Mayfair intends to acquire all Scheme Shares, pursuant to the Scheme;  |
| “Rand” or “R”                      | South African Rand, the official currency of South Africa;   |
| “Rare” or “the Company”            | Rare Group Limited (Registration number 2002/025247/06), a public company incorporated under the laws of South Africa;   |
| “Rare Board” or “Rare Directors”   | the directors of Rare as at the Last Practicable Date, whose names are set out on page 14 of this Circular;  |
| “Rare Group”                       | Rare and its subsidiaries;   |
| “Rare Shareholders”                | means the holders of Rare Shares;  |
| “Rare Shares”                      | ordinary shares in the share capital of Rare, at no par value;   |
| “Register”                         | Rare’s securities register;  |
| “Scheme”                           | the scheme of arrangement in terms of section 114(1) of the Companies Act, proposed by the Rare Board as between Rare and the Rare Shareholders, as more fully described in paragraph 4 of this Circular, in terms of which Mayfair will, if the Scheme becomes operative, acquire all Scheme Shares held by Scheme Participants for the Scheme Consideration, subject to any modification or amendment to the scheme of arrangement agreed to in writing by Mayfair and Rare and, if necessary, the Takeover Regulation Panel, which modification or amendment may not be detrimental to Scheme Participants; |
| “Scheme Concert Parties”           | Rare Shareholders acting in concert with Mayfair in respect of the Scheme being Doculate and Stafric;  |
| “Scheme Conditions”                | the conditions precedent to which the Scheme is subject, as set out in paragraph 4.4 of this Circular;   |
| “Scheme Consideration”             | an amount of R1.50 (one Rand and fifty Cents), which is payable to each Scheme Participant for each Scheme Share held by such Scheme Participant on the Scheme Consideration Record Date;  |
| “Scheme Consideration Record Date” | the latest time and date for holders of Rare Shares to be registered as such in the Register in order to receive the Scheme Consideration, being 17:00 on Friday, 23 September 2016;   |
| “Scheme LDT”                       | the last day to trade Rare Shares in order to be registered in the Register on the Scheme Consideration Record Date, which is expected to be on Tuesday, 20 September 2016;  |

|   |   |
|---|---|
| “Scheme Participants”                     | Rare Shareholders who are entitled to receive the Scheme Consideration, being those Rare Shareholders who are registered as such in the Register on the Scheme Consideration Record Date, but excluding Mayfair, the Scheme Concert Parties and Dissenting Shareholders who have not withdrawn their demands made in terms of sections 164(5) to 164(8) of the Companies Act or allowed any offers made to them in terms of section 164(11) of the Companies Act to lapse,; |
| “Scheme Resolution”                       | means the special resolution proposed to Rare Shareholders, as contemplated in section 115(2) of the Companies Act, the adoption of which is required for the approval of the Scheme, as detailed in the Notice of General Meeting;   |
| “Scheme Shares”                           | all of the Rare Shares held by Scheme Participants on the Scheme Consideration Record Date, excluding shares held by Mayfair, Scheme Concert Parties, and to the extent applicable, any Rare Shares held by Dissenting Shareholders who have not withdrawn their demands made in terms of sections 164(5) to 164(8) of the Companies Act or allowed any offers made to them in terms of section 164(11) of the Companies Act to lapse;                                      |
| “Scheme Voting Record Date”               | the last time and date for Rare Shareholders to be recorded in the Register in order to be eligible to attend, speak and vote at the General Meeting (or any adjournment thereof), being 10:00 on Friday, 23 September 2016;  |
| “SENS”                                    | the Stock Exchange News Service of the JSE;   |
| “South Africa”                            | the Republic of South Africa;   |
| “Stafric”                                 | Stafric Investment and Management Services Proprietary Limited (Registration number 1993/070119/07), a private company incorporated under the laws of South Africa;   |
| “Strate”                                  | Strate Proprietary Limited (Registration number 1998/022242/07), a private company incorporated under the laws of South Africa, a central securities depository licensed in terms of the Financial Markets Act and responsible for the electronic clearing and settlement system provided to the JSE;   |
| “Takeover Regulation Panel”               | the Takeover Regulation Panel established in terms of section 196 of the Companies Act;   |
| “Transfer Secretaries” or “Computershare” | Computershare Investor Services Proprietary Limited (Registration number 2004/003647/07), a private company incorporated under the company laws of South Africa; and  |
| “VWAP”                                    | volume weighted average price.  |



**RARE HOLDINGS LIMITED**

(Incorporated in the Republic of South Africa)  
(Registration number 2002/025247/06)  
Share code: RAR, ISIN: ZAE000092714  
("RARE" or "THE COMPANY")

**MAYFAIR SPECULATORS PROPRIETARY LIMITED**

(Incorporated in the Republic of South Africa)  
(Registration number 1987/003548/07)  
("MAYFAIR")

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## CIRCULAR TO RARE SHAREHOLDERS

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### Directors

W van Coller (CEO)  
R Viljoen (CFO)  
A Tasdhary  
T Siyolo (Chairman) \*  
H Odendaal \*#  
SJDJ Potgieter \*  
MT Lategan \*

# Independent

\* non-executive

### 1. INTRODUCTION

- 1.1. Rare Shareholders are referred to the announcement by Rare, published on SENS on 22 June 2016, advising of the firm intention by Mayfair to make an offer to acquire all the Scheme Shares, being those shares held by Rare Shareholders excluding Mayfair, Stafric and Doculate being concert parties, by way of scheme of arrangement in terms of section 114 of the Companies Act, on the terms set out in paragraph 4 of this Circular.
- 1.2. Should the Scheme be implemented:
  - 1.2.1. Mayfair will acquire all of the Scheme Shares;
  - 1.2.2. the Scheme Participants will receive the Scheme Consideration of R1.50 (one Rand and fifty Cents) for each Scheme Share held by them on the Scheme Consideration Record Date; and
- 1.3. Subject to the Scheme becoming unconditional in accordance with its terms, the JSE has granted approval for the suspension of the listing of the Rare Shares on the JSE in terms of section 1.16(b) of the JSE Listings Requirements with effect from the commencement of trade on the JSE on Wednesday, 21 September 2016, and the termination of the listing of the Rare Shares on the JSE from the commencement of trade on Tuesday, 27 September 2016.

### 2. PURPOSE OF THIS CIRCULAR

The purpose of this Circular is to:

- 2.1. provide Rare Shareholders with information regarding the Scheme;
- 2.2. provide Rare Shareholders with the Independent Expert's report in respect of the Scheme, prepared in terms of Companies Regulations 90 and 110 and section 114(3) of the Companies Act;
- 2.3. advise Rare Shareholders of the Independent Board's opinion in respect of the Scheme (as supported by the Independent Expert's report);
- 2.4. convene the General Meeting to consider and, if deemed fit, approve the Scheme Resolution as set out in the Notice of General Meeting; and
- 2.5. inform Rare Shareholders of their Appraisal Rights.

### 3. INFORMATION ON MAYFAIR

Mayfair is an investment holding company and a long-term shareholder of Rare.

#### 4. THE SCHEME

##### 4.1. Rationale for Mayfair

The continued turnaround of Rare will require more time and capital than originally anticipated. Mayfair, Stafric and Doculate will continue to support the Company in this process, but given the severe lack of liquidity in Rare shares and the lack of benefit in remaining a listed company, the parties decided to make the Offer and delist the Company in order to curtail costs.

##### 4.2. Rationale for Rare

- 4.2.1. Mayfair and its Scheme Concert Parties believe that implementation of the Scheme will be beneficial to Rare shareholders, by offering them an opportunity to receive cash for their investment in an illiquid share in a Company that has been struggling to make profits in a very tough economic environment.
- 4.2.2. Shares in Rare are extremely illiquid. Over the period from June 2015 to May 2016 less than 3 million shares, representing approximately 7% of the total number of shares in issue, have traded. These shares represent less than 50 trades.
- 4.2.3. Given the above, the Independent Board believes that it is in the interests of Rare and Rare Shareholders that they be given the opportunity to consider the Proposed Transaction.

##### 4.3. Terms and conditions of the Scheme

- 4.3.1. In terms of section 114(1) of the Companies Act, the Rare Board proposes the Scheme as set out in this paragraph 4 between Mayfair and the Rare Shareholders (other than Mayfair and the Scheme Concert Parties). The Scheme will constitute an "affected transaction" as defined in section 117(1)(c) of the Companies Act and will be regulated by the Companies Act, the Companies Regulations and the Takeover Regulation Panel.
- 4.3.2. In terms of the Scheme, Mayfair will acquire all the Scheme Shares from the Scheme Participants for the Scheme Consideration.
- 4.3.3. If the Scheme takes effect and becomes operative:
  - the Scheme Participants (whether they voted in favour of the Scheme Resolution or not, or failed to vote on the Scheme Resolution) will be deemed to have disposed of their Scheme Shares, free of encumbrances, to Mayfair on the Operative Date in exchange for the Scheme Consideration and Mayfair shall be deemed to have acquired registered and beneficial ownership of all the Scheme Shares as of the Operative Date;
  - the disposal and transfer by each Scheme Participant of the Scheme Shares held by such Scheme Participant to Mayfair and the acquisition of ownership of these Scheme Shares by Mayfair pursuant to the provisions of the Scheme, will be effected on the Operative Date;
  - each Scheme Participant will be deemed to have transferred to Mayfair, on the Operative Date, all of the Scheme Shares held by such Scheme Participant, without any further act or instrument being required; and
  - Scheme Participants will be entitled to receive the Scheme Consideration, subject to the remaining provisions of this paragraph 4.
- 4.3.4. Each Scheme Participant irrevocably and *in rem suam* authorises Rare, as principal, with power of substitution, to cause the Scheme Shares disposed of by the Scheme Participants in terms of the Scheme to be transferred to, and registered in the name of, Mayfair on or at any time after the Operative Date, and to do all such things and take all such steps (including the signing of any transfer form) as Rare in its discretion considers necessary in order to effect that transfer and registration.
- 4.3.5. The Scheme Consideration will be settled, in full, in accordance with the terms of the Scheme without regard to any lien, right of set-off, counterclaim or other analogous right to which Mayfair may otherwise be, or claim to be, entitled against any Scheme Participant.
- 4.3.6. Rare, as principal, will procure that Mayfair complies with its obligations under the Scheme, and Rare alone will have the right to enforce those obligations (if necessary) against Mayfair.
- 4.3.7. The rights of the Scheme Participants to receive the Scheme Consideration will be rights enforceable by Scheme Participants against Rare only. Scheme Participants will be entitled to require Rare to enforce its rights in terms of the Scheme against Mayfair.
- 4.3.8. The effect of the Scheme, *inter alia*, will be that Mayfair will, with effect from the Operative Date, become the registered and beneficial owner of all the Scheme Shares.
- 4.3.9. Mayfair and Rare will, upon the Scheme becoming operative, give effect to the terms and conditions of the Scheme and will take all actions and sign all necessary documents to give effect to the Scheme.
- 4.3.10. The Scheme shall be governed by the laws of South Africa only. Every Scheme Participant will be deemed to have irrevocably submitted to the non-exclusive jurisdiction of the courts of South Africa in relation to all matters arising out of or in connection with the Scheme.

#### 4.4. **Scheme Conditions Precedent**

- 4.4.1. The Scheme is subject to (and will become effective on the Operative Date upon) the fulfilment of the following conditions precedent on or before 24 August 2016 –
- 4.4.2. that the Scheme be approved by the requisite majority of Rare shareholders, as contemplated in section 115(2)(a) of the Companies Act, and, to the extent required, by a High Court in terms of section 115(2)(c) of the Companies Act, and, if applicable, that Rare does not treat the aforesaid shareholder resolution as a nullity, as contemplated in section 115(5)(b) of the Companies Act, as more fully set out in Annexure 5;
- 4.4.3. that, in relation to any objections to the Scheme by Rare shareholders –
- no Rare shareholders give notice objecting to the Scheme, as contemplated in section 164(3) of the Companies Act and vote against the resolution proposed at the general meeting to approve the Scheme (“the General Meeting”); or
  - if Rare shareholders give notice objecting to the Scheme, as contemplated in section 164(3) of the Companies Act, and vote against the resolution proposed at the General Meeting, Rare shareholders holding no more than 5% of all Scheme Shares eligible to be voted at the General Meeting give such notice and vote against the resolutions proposed at the General Meeting; or
  - if Rare shareholders holding more than 5% of all Scheme Shares eligible to vote at the General Meeting give notice objecting to the Scheme, as contemplated in section 164(3) of the Companies Act, and vote against the resolution proposed at the General Meeting, the relevant Rare shareholders do not exercise their appraisal rights, by giving valid demands in terms of sections 164(5) to 164(8) of the Companies Act within thirty business days following the General Meeting, in respect of more than 5% of the Scheme shares eligible to be voted at the General Meeting; and
- 4.4.4. that, in respect of the implementation of the Scheme and only to the extent that same may be applicable, the approval of the TRP and any other relevant regulatory authorities (either unconditionally or subject to conditions acceptable to the Offeror) be obtained.
- 4.4.5. The Scheme Condition in paragraph 4.4.1, 4.4.2 and 4.4.4 above cannot be waived.
- 4.4.6. The Scheme Condition in paragraph 4.4.3 above may be waived by Mayfair upon written notice to Rare, prior to the date for the fulfilment of the Scheme Condition.
- 4.4.7. Mayfair will be entitled to extend the date for the fulfilment of any of the Scheme Conditions, by up to 30 days, in its own discretion, upon written notice to Rare, but shall not be entitled to extend the date to a date later than the aforesaid 30 day period without the prior written consent of Rare.

#### 4.5. **Scheme Consideration**

- 4.5.1. The Scheme Consideration to be received by Scheme Participants will be a consideration of R1.50 (one Rand and fifty Cents) per Scheme Share held by them on the Scheme Consideration Record Date.

#### 4.6. **Settlement of the Scheme Consideration**

- 4.6.1. Subject to paragraphs 4.6.2 and 4.6.6 below, and subject to the Scheme becoming operative, Scheme Participants will be entitled to receive the Scheme Consideration in respect of each Scheme Share held by them on the Scheme Consideration Record Date.
- 4.6.2. Rare or its agents will administer and effect settlement of the Scheme Consideration to Scheme Participants.
- 4.6.3. Scheme Participants who hold Dematerialised Shares will:
- if they are not Dissenting Shareholders on the Scheme Consideration Record Date, have their accounts held at their CSDPs credited with the Scheme Consideration and debited with the Scheme Shares they are transferring to Mayfair pursuant to the implementation of the Scheme on the Operative Date; or
  - if they are Dissenting Shareholders on the Scheme Consideration Record Date but cease to be Dissenting Shareholders and become Scheme Participants pursuant to paragraph 4.8.1 below, have their accounts held at their CSDPs credited with the Scheme Consideration and debited with the Scheme Shares that they are transferring to Mayfair pursuant to the Scheme within five Business Days of the date on which they cease to be Dissenting Shareholders and become Scheme Participants.
- 4.6.4. Scheme Participants who hold Certificated Shares, and who are not Dissenting Shareholders on the Scheme Consideration Record Date, will:
- if they have surrendered their Documents of Title and completed the Form of Surrender and Transfer (blue) to the Transfer Secretaries on or before 12:00 on the Scheme Consideration Record Date, have the cheques in respect of the Scheme Consideration posted to them, at their risk, within three Business Days of the Operative Date, unless they have elected to receive the Scheme Consideration by way of an EFT by completing the relevant section of the Form of Surrender and Transfer (blue), in which case the Scheme Consideration will be paid to them on the Operative Date by way of EFT; or
  - if they surrender their Documents of Title and completed Form of Surrender and Transfer (blue) to the Transfer Secretaries after 12:00 on the Scheme Consideration Record Date, have the cheques in respect of the Scheme Consideration posted to them, at their risk, or paid to them by way of an EFT (if this option was selected on the Form of Surrender and Transfer (blue), within three Business Days of the Transfer Secretaries receiving their Documents of Title and completed Form of Surrender and Transfer (blue).



- 4.6.5. Scheme Participants who hold Certificated Shares and who are Dissenting Shareholders on the Scheme Consideration Record Date, but who become Scheme Participants after the Scheme Consideration Record Date, will need to surrender their Documents of Title, together with completed Forms of Surrender and Transfer (blue), to the Transfer Secretaries, and will have cheques in respect of the Scheme Consideration posted to them, or paid to them by way of an EFT (if this option was selected on the Form of Surrender and Transfer (blue), at their risk, within three Business Days of the later of the date on which the Transfer Secretaries receive their Documents of Title and completed Forms of Surrender and Transfer (blue) and the date on which they cease to be Dissenting Shareholders.
- 4.6.6. Where, on or subsequent to the Operative Date, a person, who was not a registered holder of Scheme Shares on the Scheme Consideration Record Date, tenders to the Transfer Secretaries Documents of Title, together with a duly stamped the Form of Surrender and Transfer (blue), purporting to have been executed by or on behalf of the registered holder of such Scheme Shares and, provided that the Scheme Consideration will not already have been posted or delivered to the registered holder of the relevant Scheme Shares, then such transfer may be accepted by Rare and Mayfair as if it were a valid transfer to Mayfair of the Scheme Shares concerned, provided that Rare and Mayfair have been, if so required by either or both of them, provided with an indemnity on terms acceptable to them in respect of such Scheme Consideration.
- 4.6.7. The Scheme Consideration will be paid to Scheme Participants, in full, in accordance with the terms of the Scheme without regard to any lien, right of set-off, counterclaim or other analogous right to which Rare or Mayfair may otherwise be, or claim to be, entitled.
- 4.6.8. If the information regarding authorised dealers is not given or written instructions to the contrary are provided but no address is given, the Scheme Consideration will be held in trust by Rare, or the Transfer Secretaries on behalf of Rare for the benefit of the Scheme Participant concerned, until lawfully claimed by such Scheme Participants for a maximum period of three years, after which such funds shall be paid over to the Guardian's Fund. For the avoidance of doubt, no interest will accrue for the benefit of Scheme Participants on the Scheme Consideration so held.
- 4.7. **Effect of the Scheme**
- The effect of the Scheme will be that Mayfair will, with effect from the Operative Date, become the registered owner of all the Scheme Shares. Accordingly upon implementation of the Scheme, Mayfair and the Scheme Concert Parties will become the sole holders of the entire issued share capital of Rare, which will be delisted from the JSE.
- 4.8. **Dissenting Shareholders**
- 4.8.1. Any Dissenting Shareholder that withdraws its demand made in terms of sections 164(5) to 164(8) of the Companies Act, either voluntarily or pursuant to an order of Court, or that allows an offer by Rare in terms of section 164(11) of the Companies Act to lapse without exercising its rights in terms of section 164(12) of the Companies Act, shall, if that Dissenting Shareholder withdrew its demand or allowed the offer to lapse:
- on or prior to the Scheme LDT, be deemed to be a Scheme Participant and be subject to the provisions of the Scheme; and
  - after the Scheme LDT, be deemed to have been a Scheme Participant as at the Operative Date of the Scheme, provided that settlement of the Scheme Consideration due to such Dissenting Shareholder shall take place on the later of (i) the Operative Date, (ii) the date which is five Business Days after that Dissenting Shareholder so withdrew its demand or allowed Mayfair's offer to lapse, as the case may be, and (iii) the date which is five Business Days after that Dissenting Shareholder (being a Certificated Rare Shareholder) shall have surrendered its Documents of Title and completed the Form of Surrender and Transfer (blue) to the Transfer Secretaries (or Rare's company secretary).
- 4.8.2. The wording of section 164 of the Companies Act (which sets out the Appraisal Rights) is included in **Annexure 5** to this Circular.
- 4.9. **Foreign Rare Shareholders and Exchange Control Regulations**
- Annexure 4** to this Circular contains a summary of the Exchange Control Regulations as they apply to Scheme Participants. Scheme Participants who are not resident in, or who have a registered address outside of South Africa, must satisfy themselves as to the full observance of the laws of any relevant territory concerning the receipt of the Scheme Consideration, including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territory.
- 4.10. **Funding of the Scheme Consideration**
- Mayfair has delivered to the Takeover Regulation Panel, in compliance with Regulations 111(4) and 111(5) of the Takeover Regulations, a confirmation letter from Hoffman Attorneys, that the full amount payable under the Scheme is held by Hoffman Attorneys in their trust account.
- 4.11. **Restricted jurisdictions**
- 4.11.1. To the extent that the distribution of this Circular in certain jurisdictions outside of South Africa may be restricted or prohibited by the laws of such foreign jurisdiction then this Circular is deemed to have been provided for information purposes only and neither the Rare Board nor the Mayfair Board accepts any responsibility for any failure by Rare Shareholders to inform themselves about, and to observe, any applicable legal requirements in any relevant foreign jurisdiction.
- 4.11.2. Rare Shareholders who are in doubt as to their position should consult their professional advisors.



## 5. SUSPENSION AND TERMINATION OF THE RARE LISTING

Subject to the Scheme becoming unconditional, the JSE has granted approval for the suspension of the listing of Rare Shares on the JSE in terms of section 116(b) of the JSE Listings Requirements with effect from the commencement of trade on the JSE on Wednesday, 21 September 2016 and the termination of the listing on the JSE of the Rare Shares from the commencement of trade on the JSE on Tuesday, 27 September 2016.

## 6. INTERESTS OF MAYFAIR AND MAYFAIR DIRECTORS IN RARE SECURITIES

- 6.1. As at the Last Practicable Date, Mayfair held directly and indirectly in excess of 29.68% beneficial interest in Rare representing 12 729 443 Rare Shares. As at the Last Practicable Date, Mayfair and the Scheme Concert Parties held directly and indirectly in excess of 87.5% beneficial interest in Rare representing 37 541 675 Rare Shares.
- 6.2. The directors of Mayfair had no dealings in Rare Shares during the six month period prior to the Offer Date and from the Offer Date up to the Last Practicable Date.

## 7. INTERESTS OF MAYFAIR DIRECTORS IN MAYFAIR SECURITIES

- 7.1. As at the Last Practicable Date, the directors of Mayfair held no direct or indirect beneficial interest in Mayfair.
- 7.2. As at the Last Practicable Date, the directors of Mayfair had no dealings in Shares, during the six month period prior to the Offer Date and from the Offer Date up to the Last Practicable Date.

## 8. INTERESTS OF RARE AND RARE DIRECTORS IN MAYFAIR SECURITIES

- 8.1. As at the Last Practicable Date, Rare held no direct or indirect interest in Mayfair. Rare had no dealings in Mayfair Shares.
- 8.2. As at the Last Practicable Date, Rare directors held no direct or indirect in Mayfair.
- 8.3. As at the Last Practicable Date, the Rare Directors had no dealings in Mayfair Shares during the six month period prior to the Offer Date and from the Offer Date up to the Last Practicable Date.

## 9. INTERESTS OF RARE DIRECTORS IN RARE SECURITIES

- 9.1. As at the Last Practicable Date, the following Rare Directors held a beneficial interest in Rare Shares:

| Rare Director               | Direct   | Indirect          | % of Rare issued share capital |
|-----------------------------|----------|-------------------|--------------------------------|
| T Siyolo <sup>1</sup>       | –        | 22 602 389        | 52.70%                         |
| SJDT Potgieter <sup>2</sup> | –        | 14 939 286        | 34.83%                         |
| MT Lategan <sup>3</sup>     | –        | 751 480           | 1.75%                          |
| H Odendaal <sup>4</sup>     | –        | 22 365            | 0.05%                          |
| <b>Total</b>                | <b>–</b> | <b>38 315 520</b> | <b>89.34%</b>                  |

Note:

- (<sup>1</sup>) Held indirectly through Doculate;
- (<sup>2</sup>) Held indirectly through Stafric;
- (<sup>3</sup>) Held indirectly through Lategan Family Trust; and
- (<sup>4</sup>) Held indirectly through Roadbel Trust.

- 9.2. At the Last Practicable Date, no other Rare Director has had dealings in Rare Shares during the six month period from the Offer Date up to the Last Practicable Date.

## 10. REMUNERATION OF RARE DIRECTORS

The remuneration of the Rare Directors will not be affected by the Scheme.

## 11. AGREEMENTS IN RELATION TO THE SCHEME

- 11.1. Save for the Firm Intention Offer Letter, no agreements have been entered into between Mayfair, the directors of Mayfair (or persons who were directors of Mayfair in the past 12 months) and/or Mayfair shareholders (or persons who were Mayfair shareholders in the past 12 months) and any of Rare, the Rare Directors (or persons who were directors of Rare in the past 12 months) or Rare Shareholders (or persons who were Rare Shareholders in the past 12 months) in relation to the Scheme.
- 11.2. Mayfair confirms that it is the ultimate prospective purchaser of the Scheme Shares and is acting in concert with only the Scheme Concert Parties and not in concert with any other party. Accordingly, in accordance with section 115(4) of the Companies Act, neither Mayfair nor the Scheme Concert Parties will be included in calculating the percentage votes required in determining whether the quorum requirements have been met at the General Meeting. In addition, Mayfair and Scheme Concert Parties will be precluded from voting at the General Meeting.
- 11.3. In addition, in terms of Regulation 84 of the Companies Regulations a presumption automatically exists that directors of Mayfair act in concert with Mayfair in respect of the Scheme. Accordingly, any director of Mayfair and any persons who were directors of Mayfair at the time Mayfair resolved to make the Offer to Rare Shareholders and who hold Rare Shares on the Scheme Voting Record Date, will not be entitled to vote on the Scheme Resolution at the General Meeting.

## 12. FINANCIAL INFORMATION

### 12.1. Financial information of Rare

- 12.1.1. The audited historical financial information of Rare for the last three financial years ended 30 June 2013, 30 June 2014 and 30 June 2015 is annexed hereto as **Annexure 2** to this Circular.
- 12.1.2. The reviewed condensed consolidated results of Rare for the six months ended 31 December 2015 is annexed as **Annexure 3** to this Circular.

## 13. REPORT OF THE INDEPENDENT EXPERT

- 13.1. The report of the Independent Expert prepared in accordance with section 114(3) of the Companies Act and regulation 90 and 110 of the Companies Regulations is provided in **Annexure 1** to this Circular.
- 13.2. Having considered the terms and conditions of the Scheme and based on the assumptions set out in its report, the Independent Expert has concluded that the terms and conditions of the Scheme are fair and reasonable to Rare Shareholders, as each of these terms is defined in the Companies Regulations.

## 14. THE VIEWS OF THE INDEPENDENT BOARD ON THE SCHEME

- 14.1. In accordance with the Companies Regulations, the Rare Board has appointed the Independent Board to consider the Scheme. The Independent Board has appointed the Independent Expert to compile a report on the Scheme. The Independent Board has provided all relevant information on Rare requested by the Independent Expert in order to compile the report.
- 14.2. The Independent Board, after due consideration of the report of the Independent Expert, has determined that it will place reliance on the valuation performed by the Independent Expert for the purposes of reaching its own opinion regarding the Scheme and the Scheme Consideration as contemplated in Companies Regulation 110(3)(b). The Independent Board has formed a view of the value range of the Rare Shares, which accords with the range contained in the Independent Expert's report, in considering its opinion and recommendation. The Independent Board is aware of those factors which are difficult to quantify or are unquantifiable (as contemplated in Companies Regulation 110(6)) which were considered by the Independent Expert and referred to in its report, and has taken such factors into account in forming its opinion.
- 14.3. The Independent Board, taking into account the report of the Independent Expert, has considered the terms and conditions of the Scheme and the members of the Independent Board are unanimously of the opinion that the Scheme Consideration is fair and reasonable to Rare Shareholders and, accordingly, recommend that Rare Shareholders vote in favour of the Scheme Resolution at the General Meeting.
- 14.4. The Rare Board has not received any offers other than the Offer.

## 15. RARE DIRECTORS' SERVICE CONTRACTS

W van Coller, R Viljoen and A Tasdhary have permanent employment contracts with Rare, which include termination and other provisions for contracts of this nature and appropriate restraint of trade provisions.

## 16. OTHER SERVICE CONTRACTS

No other service contracts have been entered into or amended within the six month period prior to the Last Practicable Date.

## 17. INTENDED ACTION OF RARE DIRECTORS

All the Rare Directors who own Rare Shares in their own direct or indirect beneficial capacity and are entitled to vote, intend to vote in favour of the Scheme at the General Meeting.

## 18. IRREVOCABLE COMMITMENTS

- 18.1. As at the Last Practicable Date, the following Rare shareholders have provided irrevocable undertakings or firm commitments to vote in favour of all Rare shareholder resolutions necessary to approve and implement the Scheme:

| Rare shareholder     | Number of Rare Shares held | Rare Shares held as % of Rare's issued share capital |
|----------------------|----------------------------|--|
| Roadbel Trust        | 22 365                     | 0.05%  |
| Lategan Family Trust | 751 480                    | 1.75%  |
| <b>Total</b>         | <b>773 845</b>             | <b>1.80%</b>   |

## 19. FOREIGN RARE SHAREHOLDERS AND EXCHANGE CONTROL REGULATIONS

**Annexure 4** to this Circular contains a summary of the Exchange Control Regulations as they apply to Scheme Participants. Scheme Participants who are not resident in, or who have a registered address outside of South Africa, must satisfy themselves as to the full observance of the laws of any relevant territory concerning the receipt of the Scheme Consideration, including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territory.

**20. TAX IMPLICATIONS FOR RARE SHAREHOLDERS**

The tax position of a Rare Shareholder under the Scheme is dependent on such shareholder's individual circumstances, including but not limited to whether they hold the shares as capital assets or as trading stock, whether the Shares are held by a Collective Investment Scheme or Pension Fund and on the tax jurisdiction in which the Rare Shareholder is resident. It is recommended that Rare Shareholders seek appropriate advice in this regard. The Scheme Consideration will not be regarded as a dividend.

**21. INDEPENDENT BOARD RESPONSIBILITY STATEMENT**

The Independent Board accepts responsibility for the information contained in this Circular which relates to Rare and confirms that, to the best of its knowledge and belief, such information which relates to Rare is true and the Circular does not omit anything likely to affect the importance of such information.

**22. MAYFAIR'S RESPONSIBILITY STATEMENT**

The board of Mayfair accept responsibility for the information contained in this Circular which relates to Mayfair and confirms that, to the best of its knowledge and belief, such information which relates to Mayfair is true and the Circular does not omit anything likely to affect the importance of such information.

**23. ADVISORS' CONSENTS**

The parties referred to in the "Corporate Information and Advisors" section of this Circular, have consented in writing to act in their capacities stated and to the inclusion of their names and, where applicable, reports, in this Circular in the form and context in which they appear and have not withdrawn their consent prior to the publication of this Circular.

**24. DOCUMENTS AVAILABLE FOR INSPECTION**

The following documents, or copies thereof, will be available for inspection by the Rare Shareholders at Rare's registered office from the date of posting of this Circular until close of business on the Operative Date:

- 24.1. the audited annual financial statements of Rare for the three financial years ended 30 June 2013, 2014 and 2015;
- 24.2. the interim financial statements of Rare for the interim financial period ended 31 December 2015;
- 24.3. consent letters referred to in paragraph 3 of this Circular;
- 24.4. a signed copy of this Circular;
- 24.5. the signed report of the Independent Expert;
- 24.6. the approval letter of the Takeover Regulation Panel; and
- 24.7. the memorandum of incorporation of Rare.

**SIGNED AT KLIPRIVIER ON 25 JULY ON BEHALF OF THE RARE BOARD**

**W VAN COLLER**  
CEO

**SIGNED AT STELLENBOSCH ON 25 JULY ON BEHALF OF THE RARE BOARD**

**S POTGIETER**  
Director

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## REPORT OF THE INDEPENDENT EXPERT REGARDING THE SCHEME

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15 July 2016

The Directors  
Rare Holdings Limited  
22 Old Vereeniging Road,  
Kliprivier,  
Midvaal,  
1949

### ATTENTION: THE DIRECTORS

**INDEPENDENT FAIR AND REASONABLE OPINION IN RESPECT OF THE PROPOSED SCHEME OF ARRANGEMENT IN TERMS OF WHICH MAYFAIR SPECULATORS (PROPRIETARY) LIMITED (“MAYFAIR”) WILL ACQUIRE ALL THE ORDINARY SHARES IN RARE HOLDINGS LIMITED (“RARE”), EXCLUDING THOSE ORDINARY SHARES HELD BY MAYFAIR, STAFRIC INVESTMENT AND MANAGEMENT SERVICES (PROPRIETARY) LIMITED (“STAFRIC”) AND DOCULATE INVESTMENTS (PROPRIETARY) LIMITED (“DOCULATE”) (“THE TRANSACTION”)**

### INTRODUCTION

We have been appointed by the Independent Board to advise the shareholders of Rare whether, in our opinion, the above mentioned proposed transaction is fair and reasonable to the minority shareholders of Rare.

Mayfair has made an offer to acquire all of the ordinary shares in Rare, excluding those ordinary shares held by Mayfair, Stafric and Doculate. The Transaction will therefore result in the acquisition of 5,345,825 ordinary shares for a consideration of 150 cents per share.

The Transaction is to be implemented by way of a scheme of arrangement in terms of section 114 of Chapter 5 of the Companies Act, No. 71 of 2008 (“Companies Act”). This fair and reasonable opinion is required in terms of section 114(3) of the Companies Act and the takeover regulations.

### DEFINITION OF THE TERMS “FAIR” AND “REASONABLE”

For the purposes of our opinion, fairness is primarily based on a quantitative assessment. Therefore the consideration payable in respect of the offer would be considered to be fair if the consideration payable is greater than or equal to an arm’s length market related price for the shares, as determined in accordance with an accepted valuation approach, or unfair if the opposite would hold true.

The assessment of reasonableness is based on qualitative considerations. Hence, even though the consideration may be lower than fair value, the transaction may be considered reasonable after considering other qualitative factors.

### ASSUMPTIONS

We arrived at our opinion based on the following assumptions:

- Current economic, regulatory and market conditions will not change materially;
- That reliance can be placed on the audited annual financial statements of Rare for the years ended 30 June 2013, 30 June 2014 and 30 June 2015 during the course of this assignment;
- That reliance can be placed on the management accounts of Rare for the 10 months ended 30 April 2016;
- That reliance can be placed on the forecast financial information of Rare for the period 1 July 2015 to 30 June 2021; and
- Where relevant, representations made by management and/or directors were corroborated to source documents prepared by third parties, independent analytical procedures performed by us and by examining and understanding the industry in which Rare operates and analysing external factors that influence the businesses within the group.

### SOURCES OF INFORMATION

In the course of our analysis, we relied upon financial and other information, including financial information obtained from management together with industry related and other information available in the public domain. Our conclusion is dependent on such information being accurate in all material respects.

The principle sources of information used in formulating our opinion regarding the Transaction include:

- Audited annual financial statements for the years ended 30 June 2013, 30 June 2014 and 30 June 2015 and management accounts for the 10 months ended 30 April 2016;
- The historic and current share prices;
- The historic volumes of shares traded;
- Forecast financial information for the years ending 30 June 2016 to 30 June 2021;
- The conditional firm intention entered into between Mayfair and Rare;
- The rationale for the Transaction, together with the terms and conditions thereof;
- Information and assumptions made available by and from discussions held with executive and non-executive directors of Rare in terms of the rationale for the transaction; and
- Publicly available information relating to Rare and other competitors in this sector that we deemed to be relevant, including company announcements.

We obtained the information through:

- Conducting interviews with management and / or advisors; and
- Extracting information from the internet and the press.

We satisfied ourselves as to the appropriateness and reasonableness of the information with reference to:

- Audited annual financial statements for the years ended 30 June 2013, 30 June 2014 and 30 June 2015 and management accounts for the 10 months ended 30 April 2016;
- Conducting analytical reviews on the annual financial statements and year-to-date management accounts;
- Understanding the industry in which the group operates; and
- Assessing whether replies from management and / or advisors on certain issues were corroborated by third parties and documentary evidence.

## **PROCEDURES**

In order to assess the fairness of the terms and conditions relating to the Transaction, we have performed, amongst others, the following procedures:

- Reviewed the audited annual financial statements for the years ended 30 June 2013, 30 June 2014 and 30 June 2015 and the management accounts for the 10 months ended 30 April 2016;
- Reviewed the forecast financial information for the years ending 30 June 2016 to 30 June 2021;
- Reviewed the conditional firm intention entered into between Mayfair and Rare, its terms and conditions;
- Considered information made available by and from discussions held with the directors and management of Rare;
- Reviewed general economic, market and related conditions in which Rare operates;
- Considered the rationale for the Transaction;
- Reviewed the methodologies available for performing valuations of businesses operating in this industry;
- Performed an indicative valuation of Rare using the discounted cash flow ("DCF") method and considered discounts for marketability. We corroborated this with the capitalisation of earnings method;
- Conducted appropriate sensitivity analyses given a reasonable range of key assumptions on the valuations above; and
- Compared our valuation of Rare above to the consideration of 150 cents for every Scheme Share.

We believe the above procedures commercially justify the conclusion outlined below.

Our procedures and enquiries did not constitute an audit in terms of International Standards on Auditing. Accordingly, we cannot express any opinion on the financial data or other information used in arriving at our opinion.

## **VALUATION**

We have performed a valuation of Rare to determine whether the Transaction represents fair value to Rare shareholders. The DCF approach was employed as the primary method.

Additionally, sensitivity analyses were performed considering key assumptions in arriving at the valuation range set out below.

The outcome of the valuation of the Rare shares resulted in an indicative valuation range of between 120 cents and 142 cents per Rare share, with a core value of 130 cents per Rare share. The current cash offer of 150 cents per Scheme Share falls above this valuation range and is therefore fair and reasonable to the Rare shareholders.

The above valuation involved a stress test and sensitivity analysis on the key value drivers.

Whilst Rare's shares are listed on the JSE, the Company's shares are thinly traded and the price at which the shares are traded on the JSE does not necessarily reference a market price of the shares.

The company has not paid any dividends for the past 5 years. The offer provides minority shareholders an exit mechanism at a fair value and hence is considered reasonable.

## **OPINION**

Our opinion is based upon the market, regulatory and trading conditions as they currently exist and can only be evaluated at the date of this letter. It should be understood that subsequent developments may affect our opinion, which we are under no obligation to update, revise or re-affirm.

We have considered the terms and conditions of the proposed transaction, and based upon, and subject to the foregoing, we are of the opinion that the acquisition of the Scheme Shares in Rare for 150 cents for every Scheme Share is fair and reasonable to the shareholders of Rare.

## **LIMITING CONDITIONS AND RELATED PARTY RELATIONSHIPS**

We have relied upon the accuracy of information provided to us or otherwise reviewed by us, for the purposes of this opinion, whether in writing or obtained in discussion with the management of Rare. We express no opinion on this information.

There were no limiting conditions, or any restrictions of scope imposed by the client whilst this opinion was being prepared.

Our opinion is based on current economic, regulatory, market as well as other conditions. Subsequent developments may affect this opinion, which we are under no obligation to update, review or re-affirm.

We confirm that our fair and reasonable opinion has been provided to the Independent Board for the sole purpose of assisting the Independent Board in forming and expressing an opinion for the benefit of Rare shareholders. We understand that the results of our work will be used by the Independent Board to satisfy the requirements of the Companies Act.

We hereby confirm that Mazars Corporate Finance (“MCF”) is qualified, and has the competence and experience necessary to (i) understand the type of arrangement proposed, (ii) evaluate the consequences of the arrangement and (iii) assess the effect of the arrangement on the value of securities and on the rights and interests of a holder of any securities, or a creditor of Rare.

MCF is independent with regards to the Transaction. There is no relationship between MCF and Rare, any proponent of the Transaction or any other parties involved in the Transaction and has not been any such relationship within the immediately preceding two years and MCF is not related (as defined in the Companies Act) to a person who has or has had such relationship. MCF has no shares in Rare or any other party involved in the Transaction.

MCF’s fee in respect of this fair and reasonable opinion is R135,000 excluding VAT. This is not payable in shares and is not contingent or related to the outcome of the Transaction.

Each shareholder’s individual decision may be influenced by such shareholder’s particular circumstances and accordingly each shareholder should consult an independent advisor if in any doubt as to the merits or otherwise of the Transaction.

MCF is satisfied that all other information as required under section 114(3) of the Act not contained in this report is contained in the Circular.

#### **SECTION 115 AND 164**

Sections 115 and 164 of the Companies Act have been included as annexure to the Circular.

#### **CONSENT**

We hereby consent to the inclusion of this letter and references thereto, in the form and context in which they appear in the circular to Rare shareholders.

Yours faithfully

**Anoop Ninan**  
Director  
**Mazars Corporate Finance (Proprietary) Limited**

PO Box 6697  
Johannesburg  
2000

## THREE YEAR AUDITED HISTORICAL FINANCIAL INFORMATION OF RARE FOR THE FINANCIAL YEARS ENDED 30 JUNE 2013, 30 JUNE 2014 AND 30 JUNE 2015

The historical financial information of Rare set out below has been extracted from the audited annual financial statements for the years ended 30 June 2013, 2014 and 2015. The annual financial statements for the year ended 30 June 2013, 2014 and 2015 was audited by Baker Tilly Greenwoods and reported on without qualification. The forementioned financial statements were approved by the Rare Board of Directors on 30 September 2013, 19 September 2014 and 30 September 2015 respectively. The extracted historical financial information is the responsibility of the directors of Rare.

### STATEMENT OF FINANCIAL POSITION

|                                     | NOTE | GROUP              |                    |                    |
|-------------------------------------|------|--------------------|--------------------|--------------------|
|                                     |      | 2015<br>R          | 2014<br>R          | 2013<br>R          |
| <b>ASSETS</b>                       |      |                    |                    |                    |
| <b>NON-CURRENT ASSETS</b>           |      |                    |                    |                    |
| Property, plant and equipment       | 2    | 89 576 430         | 86 513 477         | 50 169 359         |
| Intangible assets                   | 3    | 516 412            | 566 677            | 619 829            |
| Other financial assets              |      | –                  | –                  | 379 811            |
| Investment in subsidiary            | 4    | –                  | –                  | –                  |
|                                     |      | <b>90 092 842</b>  | <b>87 080 154</b>  | <b>51 168 999</b>  |
| <b>CURRENT ASSETS</b>               |      |                    |                    |                    |
| Inventories                         | 10   | 99 570 741         | 112 812 820        | 110 227 049        |
| Trade and other receivables         | 11   | 53 835 275         | 47 489 889         | 48 738 510         |
| Other financial assets              | 6    | –                  | 399 645            | 420 927            |
| Current tax receivable              |      | –                  | 112 303            | –                  |
| Prepayments                         | 9    | 4 457 077          | 1 040 552          | 9 983 643          |
| Cash and cash equivalents           | 12   | 24 129 200         | 4 899 252          | 15 107 496         |
|                                     |      | <b>181 992 293</b> | <b>166 754 461</b> | <b>184 477 625</b> |
| <b>TOTAL ASSETS</b>                 |      | <b>272 085 135</b> | <b>253 834 615</b> | <b>235 646 624</b> |
| <b>EQUITY &amp; LIABILITIES</b>     |      |                    |                    |                    |
| <b>EQUITY</b>                       |      |                    |                    |                    |
| Share capital                       | 14   | 390 335 306        | 391 335 306        | 242 824 295        |
| Revaluation reserve                 | 16   | 9 787 834          | 8 001 318          | –                  |
| Reserves                            |      | –                  | –                  | 5 350 154          |
| Accumulated loss                    |      | (262 572 990)      | (253 164 937)      | (230 000 096)      |
|                                     |      | <b>137 550 150</b> | <b>146 171 687</b> | <b>18 174 353</b>  |
| <b>LIABILITIES</b>                  |      |                    |                    |                    |
| <b>NON-CURRENT LIABILITIES</b>      |      |                    |                    |                    |
| Other financial liabilities         | 17   | 58 979 099         | 50 276 894         | 134 889 975        |
| Operating lease liability           |      | –                  | 10 959             | –                  |
| Deferred tax                        | 7    | 2 650 885          | 2 440 076          | 2 269 147          |
|                                     |      | <b>61 629 984</b>  | <b>52 727 929</b>  | <b>137 159 122</b> |
| <b>CURRENT LIABILITIES</b>          |      |                    |                    |                    |
| Trade and other payables            | 19   | 59 368 694         | 53 703 905         | 70 236 333         |
| Other financial liabilities         | 17   | 410 231            | 1 173 565          | 8 692 159          |
| Current tax payable                 |      | 87 925             | –                  | 1 291 818          |
| Income received in advance          | 18   | 13 001 285         | –                  | –                  |
| Bank overdraft                      | 12   | 36 866             | 57 529             | 92 839             |
|                                     |      | <b>72 905 001</b>  | <b>54 934 999</b>  | <b>80 313 149</b>  |
| <b>TOTAL LIABILITIES</b>            |      | <b>134 534 985</b> | <b>107 662 928</b> | <b>217 472 271</b> |
| <b>TOTAL EQUITY AND LIABILITIES</b> |      | <b>272 085 135</b> | <b>253 834 615</b> | <b>235 646 624</b> |



## STATEMENT OF COMPREHENSIVE INCOME

|   | NOTE      | GROUP              |                     |                     |
|---|-----------|--------------------|---------------------|---------------------|
|   |           | 2015<br>R          | 2014<br>R           | 2013<br>R           |
| CONTINUING OPERATIONS   |           |                    |                     |                     |
| Revenue   | 21        | 345 997 848        | 264 953 067         | 175 249 351         |
| Cost of sales   | 22        | (291 727 246)      | (214 364 533)       | (149 613 100)       |
| <b>GROSS PROFIT</b>   |           | <b>54 270 602</b>  | <b>50 588 534</b>   | <b>25 636 251</b>   |
| Other income  | 25        | 6 082 668          | 2 221 155           | 2 788 080           |
| Operating expenses  |           | (64 300 405)       | (60 455 064)        | (54 137 956)        |
| <b>OPERATING LOSS</b>   | <b>23</b> | <b>(3 947 135)</b> | <b>(7 645 375)</b>  | <b>(25 713 625)</b> |
| Investment revenue  | 24        | 163 100            | 478 292             | 1 169 155           |
| Finance costs   | 26        | (5 828 641)        | (17 233 947)        | (15 803 305)        |
| <b>LOSS BEFORE TAX</b>  |           | <b>(9 612 676)</b> | <b>(24 401 030)</b> | <b>(40 347 775)</b> |
| Income tax expense  | 27        | (53 379)           | 1 236 184           | (2 372 318)         |
| <b>LOSS FOR THE YEAR</b>  |           | <b>(9 666 055)</b> | <b>(23 164 846)</b> | <b>(42 720 093)</b> |
| OTHER COMPREHENSIVE INCOME:   |           |                    |                     |                     |
| Items that will not be classified to profit or loss:                        |           |                    |                     |                     |
| Gain on property revaluation (Meyerton 1)                                   |           |                    | 4 498 676           | –                   |
| Gain/(loss) on property revaluation (Kliprivier)                            |           | 2 513 694          | (1 242 450)         | –                   |
| Taxation related to components of other comprehensive income                |           | (469 176)          | (605 062)           |                     |
| <b>OTHER COMPREHENSIVE INCOME FOR THE YEAR<br/>NET OF TAXATION</b>          | <b>29</b> | <b>2 044 518</b>   | <b>2 651 164</b>    | <b>–</b>            |
| <b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>                                |           | <b>(7 621 537)</b> | <b>(20 513 682)</b> | <b>(42 720 093)</b> |
| <b>LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS<br/>OF THE PARENT</b>           |           | <b>(9 666 055)</b> | <b>(23 164 846)</b> | <b>(42 720 093)</b> |
| <b>TOTAL COMPREHENSIVE (LOSS) ATTRIBUTABLE TO:<br/>Owners of the parent</b> |           | <b>(7 621 537)</b> | <b>(20 513 682)</b> | <b>(42 720 093)</b> |
| <b>LOSS PER SHARE</b>   | 40        |                    |                     |                     |
| <b>Basic loss per share (c)</b>   |           | <b>(22.58)</b>     | <b>(99.07)</b>      | <b>(2.73)</b>       |
| <b>Diluted loss per share (c)</b>   |           | <b>(22.58)</b>     | <b>(99.07)</b>      | <b>(2.73)</b>       |

## STATEMENT OF CHANGES IN EQUITY

| GROUP                                 | Share capital | Treasury shares | Share premium | Total share capital | Foreign currency translation reserve | Revaluation Reserve | Accumulated loss | Non-controlling interest | Total equity |
|---------------------------------------|---------------|-----------------|---------------|---------------------|--------------------------------------|---------------------|------------------|--------------------------|--------------|
|                                       | R             | R               | R             | R                   | R                                    | R                   | R                | R                        | R            |
| Balance at 1 July 2012                | 32 883 730    |                 | 109 940 565   | 142 824 295         | 5 106                                | 5 350 154           | (187 280 001)    | -                        | (39 100 448) |
| Changes in equity                     |               |                 |               |                     |                                      |                     |                  |                          |              |
| Total comprehensive loss for the year | -             | -               | -             | -                   | (5 106)                              |                     | (42 720 090)     |                          | (42 725 199) |
| Issue of shares                       | 100 000 000   |                 |               | 100 000 000         |                                      |                     |                  |                          | 100 000 000  |
| Total changes                         | 100 000 000   |                 |               | 100 000 000         | (5 106)                              |                     | (42 720 090)     |                          | 57 274 801   |
| Balance at 1 July 2013                | 132 887 500   | (3 770)         | 109 940 565   | 242 824 295         | -                                    | 5 350 154           | (230 000 091)    | -                        | 18 174 353   |
| Changes in equity                     |               |                 |               |                     |                                      |                     |                  |                          |              |
| Total comprehensive loss for the year | -             | -               | -             | -                   | -                                    | 2 651 164           | (23 164 846)     |                          | (20 513 682) |
| Issue of shares                       | 150 000 000   |                 | (1 000 000)   | 149 000 000         |                                      |                     |                  |                          | 149 000 000  |
| Purchase of treasury shares           | -             | (488 989)       |               | (488 989)           |                                      |                     |                  |                          | (488 989)    |
| Total changes                         | 150 000 000   | (488 989)       | (1 000 000)   | 148 511 011         |                                      | 2 651 164           | (23 164 846)     |                          | 127 997 329  |
| Balance at 1 July 2014                | 282 887 500   | (492 759)       | 108 940 565   | 391 335 306         | -                                    | 8 001 318           | (253 164 937)    |                          | 146 171 682  |
| Total Comprehensive loss for the year | -             | -               | -             | -                   | -                                    | 2 044 518           | (9 666 055)      |                          | (7 621 537)  |
| Underwriting fee                      | -             | -               | (1 000 000)   | (1 000 000)         |                                      |                     |                  |                          | (1 000 000)  |
| Transfer from revaluation reserve     |               |                 |               |                     |                                      | (258 002)           | 258 002          |                          | -            |
| Total changes                         | -             | -               | (1 000 000)   | (1 000 000)         |                                      | 1 786 516           | (9 408 053)      |                          | (8 621 537)  |
| Balance at 30 June 2015               | 282 887 500   | (492 759)       | 107 940 565   | 390 335 306         | -                                    | 9 787 834           | (262 572 990)    |                          | 137 550 145  |

## STATEMENT OF CASH FLOWS

|   | NOTE | GROUP              |                     |                     |
|---|------|--------------------|---------------------|---------------------|
|   |      | 2015<br>R          | 2014<br>R           | 2013<br>R           |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>         |      |                    |                     |                     |
| Cash generated from/(used in)operations             | 31   | 28 031 084         | (11 666 827)        | (64 668 566)        |
| Interest income                                     | 25   | 163 100            | 478 292             | 943 493             |
| Finance costs                                       | 27   | (879 549)          | (866 344)           | (2 847 303)         |
| Tax (paid)/received                                 | 28   | -                  | (324 356)           | 658 902             |
| Net cash from operating activities                  |      | <b>27 314 635</b>  | <b>(12 379 235)</b> | <b>(65 913 474)</b> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>         |      |                    |                     |                     |
| Purchase of property, plant and equipment           | 2    | (12 228 941)       | (38 753 614)        | (727 563)           |
| Proceeds from sale of property, plant and equipment |      | 1 800 869          | 194 900             | 322 442             |
| Purchase of intangible assets                       | 3    | (5 497)            | -                   | (157 037)           |
| Proceeds from sale of subsidiary                    | 32   | 114 000            | -                   | -                   |
| Proceeds from other financial assets                | 7    | 399 645            | 401 093             | -                   |
| Repayment of other financial assets                 |      | -                  | -                   | 80 147              |
| Loans advanced to group companies                   |      | -                  | -                   | -                   |
| Loans to group companies repaid                     |      | -                  | -                   | 60 000              |
| Net cash from investing activities                  |      | <b>(9 919 924)</b> | <b>(38 157 621)</b> | <b>(422 011)</b>    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>         |      |                    |                     |                     |
| Proceeds from share issue                           |      |                    |                     |                     |
| Underwriting fees paid                              |      | (1 000 000)        | (1 000 000)         | -                   |
| Proceeds from other financial liabilities           |      | 9 200 000          | 44 640 389          | 54 996 516          |
| Repayment of other financial liabilities            |      | (6 344 100)        | (3 276 466)         | (4 311 255)         |
| Net cash from financing activities                  |      | <b>1 855 900</b>   | <b>40 363 923</b>   | <b>50 685 261</b>   |
| <b>TOTAL CASH MOVEMENT FOR THE YEAR</b>             |      |                    |                     |                     |
|   |      | 19 250 611         | (10 172 933)        | (15 650 224)        |
| Cash at the beginning of the year                   |      | 4 841 723          | 15 014 657          | 30 664 881          |
| Total cash at the end of the year                   | 13   | <b>24 092 334</b>  | <b>4 841 724</b>    | <b>15 014 657</b>   |

## ACCOUNTING POLICIES

### 1. PRESENTATION OF FINANCIAL STATEMENTS

The annual financial statements have been prepared in accordance with International Financial Reporting Standards, the JSE Listings Requirements and the Companies Act, No 71 of 2008, as amended. The annual financial statements have been prepared on the historical cost basis, except for the measurement of land and buildings at revalued amounts and certain financial instruments at fair value, and incorporate the principal accounting policies set out below. They are presented in South African Rands.

These accounting policies are consistent with the previous period, except for the changes set out in note 42: Changes in accounting policy.

#### 1.1 CONSOLIDATION

##### **Basis of consolidation**

The consolidated annual financial statements incorporate the annual financial statements of the company and all subsidiaries. Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

##### **Business combinations**

The group accounts for business combinations using the acquisition method. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group.

The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred unless they relate to equity instruments or financial instruments, in which case the costs to issue debt are debited to the liability and amortised as part of the effective interest and the costs to issue equity are included in equity. Costs directly attributable to a business combination acquired before 30 June 2009, formed part of the cost of the business combination.

##### **Investment in associate**

An associate is an entity over which the group has significant influence and which is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

An investment in an associate is accounted for using the equity method, except when the investment is classified as held-for-sale in accordance with IFRS 5 Non-current Assets Held-For-Sale and discontinued operations. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition, less any impairment losses. The group's investment in associates includes goodwill identified on acquisition.

Losses in an associate in excess of the group's interest in that associate are recognised only to the extent that the group has incurred a legal or constructive obligation to make payments on behalf of the associate or if the group has actually made payments on behalf of the associate.

Profits or losses on transactions between the group and an associate are eliminated to the extent of the group's interest therein.

#### 1.2 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

##### **Trade receivables**

The group assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset. The impairment for trade receivables is calculated on an individual basis.

##### **Available-for-sale financial assets – judgements made in prior periods**

Previously, The Rare Group Proprietary Limited ("TRG"), the wholly owned subsidiary of the company, directly held 51% of the shareholding in Rare Group Angola SA. In turn, Rare Group Angola SA held 31% of the shareholding in Rare Petrochemical Angola Energy SA. Together, Rare Group Angola SA and its subsidiaries will be referred to further as the "Angolan entities". Due to the deterioration of the financial position of the Angolan entities and losses incurred, the directors disposed of the majority shareholding in Rare Group Angola SA to an unrelated third party in 2011. The sale of the shares did not include the disposal of the loan accounts and as such the interest-bearing loans remain payable.

Following the disposal of the majority shareholding during 2011, TRG no longer has representation on the board of directors of the Angolan entities, does not participate in policy-making processes and despite numerous attempts, has no access to the financial information of these entities. Furthermore, the “material transactions” that gave rise to the loan accounts took place prior to the disposal of the investment in the Angolan entities.

Subsequent to the disposal, no further material transactions have taken place and therefore the presence of the loan claims do not give rise to a situation where TRG has significant influence over the Angolan entities’ financial or operating decisions. Accordingly, the remaining effective 10% shareholding was classified as an available-for sale financial asset measured at fair value and not as an investment in an associate.

The loans were classified as available-for-sale financial assets and measured at fair value as the loans do not have any fixed or determinable terms of repayment, nor any maturity. The loans do therefore not comply with the definitions of loans and receivables financial assets, held to maturity financial assets or with the definition of fair value through profit or loss financial instruments. In line with the requirements of IAS 39 “an entity shall assess at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. If such evidence exists, the entity shall apply paragraph 67 (in respect of available for sale financial assets) to determine the amount of any impairment loss.”

The “objective evidence” referred to in paragraph 58 is further described as pertaining to one or more “loss events” which “has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.” In this instance the “loss events”, as referred to in IAS 39, were the financial difficulty experienced by the Angolan entities and a significant deterioration in the financial position and profitability of these entities. As required, an impairment test was performed by management. Management assessed that the estimated future cash flows were Rnil. The loans were therefore impaired in full. In line with the requirements of IAS 39, the impairments were recognised in profit in loss.

#### **Allowance for slow moving, damaged and obsolete stock**

Management has made estimates of the selling price and direct cost to sell on certain inventory items.

#### **Impairment testing**

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less of disposal. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change, which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

The group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including supply and demand, together with economic factors such as exchange rates, inflation and interest rates.

#### **Valuation of land and buildings**

At each reporting date the group assesses whether there is any objective evidence that the carrying value of land and buildings has increased/decreased significantly.

Valuations are performed by external professional associated valuers when there are indications that the carrying value of the land and buildings might differ significantly from previous valuations. In all other instances valuations are performed by management. The carrying values are then based on the valuations performed. Additional disclosure of these valuations of land and buildings is included in note 2.

#### **Tax**

The group recognises the net future tax benefit related to deferred income tax assets to the extent that there is convincing evidence that the group will have taxable income against which the assessed losses can be utilised. Assessing the recoverability of deferred income tax assets requires the group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

#### **Determining whether control exists over subsidiary**

Management uses judgement to determine whether or not control exists over a subsidiary by considering the following factors:

- Power over the company, i.e. the group has existing rights that give it the ability to direct the relevant activities (the activities that significantly affect the company’s returns);
- Exposure, or rights, to variable returns from its involvement with the company; and
- The ability to use its power over the company to affect the amount of the group’s returns.

### **Determining functional currency**

Management uses judgement to determine the functional currency of foreign subsidiaries by considering the following factors:

- The currency that mainly influences sales prices for goods and services;
- The currency of the country whose competitive forces and regulations mainly determine the sales prices of its goods and services; and
- The currency that mainly influences labour, material and other costs of providing goods or services.
- The currency from which the main source of finance is received and to where the funds are repatriated to.

### **1.3 PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment is initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

#### **Revaluation model – land and buildings**

Items of land and buildings are initially recognised at cost. Subsequent to initial recognition, land and buildings are carried at revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation (except in the case of land) and subsequent accumulated impairment losses or reversals thereof. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially its fair value.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against other reserves directly in equity. All other decreases are charged to profit or loss. Each year the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost is transferred from 'other reserves' to 'retained earnings' within the statement of changes in equity.

#### **Cost model – all other items of property, plant and equipment except for land and buildings**

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses, except for land and buildings, which is carried at revalued amounts being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses or reversals thereof.

#### **All items**

Other than land which has an indefinite useful life, all property, plant and equipment is depreciated on the straight-line basis over the expected useful lives to the estimated residual value.

The useful lives of items of property, plant and equipment are as follows:

#### **Item average useful life**

|                        |              |
|------------------------|--------------|
| Land                   | Indefinite   |
| Buildings              | 50 years     |
| Plant and machinery    | 5 – 10 years |
| Furniture and fixtures | 5 – 10 years |
| Motor vehicles         | 4 – 7 years  |
| Office equipment       | 5 years      |
| Computer equipment     | 2 – 3 years  |
| Leasehold improvements | Lease term   |
| Laboratory equipment   | 5 – 10 years |
| Tools                  | 2 – 5 years  |

The residual value, useful life and depreciation method of each asset is reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The depreciation charge for each period is recognised in profit or loss, unless it is included in the carrying amount of another asset.

With regard to impairment, the carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of assets are calculated as the difference between the proceeds and the carrying amount and are recognised in profit or loss when the asset is derecognised.

#### 1.4 INTANGIBLE ASSETS

Intangible assets are initially recognised at cost. They are subsequently measured at cost less any accumulated amortisation and any impairment losses.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

##### **Item useful life**

|                   |             |
|-------------------|-------------|
| Licences          | 25 years    |
| Computer software | 2 – 5 years |

#### 1.5 INVESTMENT IN SUBSIDIARY

##### **Company financial statements**

In the company's separate annual financial statements, the investment in the subsidiary is carried at cost less any accumulated impairment losses. The cost of the investment in the subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company; plus
- costs directly attributable to the purchase of the subsidiary.

#### 1.6 FINANCIAL INSTRUMENTS

##### **Classification**

Financial instruments, as reflected on the statement of financial position, include all financial assets, financial liabilities, and equity instruments. They exclude prepayments, income received in advance, investments in subsidiaries, deferred taxation, taxation receivable/payable as well as inventories, tangible and intangible assets.

Financial instruments are accounted for under IAS 32 Financial Instruments: Presentation and IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures.

The group has the following financial instruments:

- Trade receivables – classified as loans and receivables
- Other financial assets – classified as available-for-sale and loans receivables
- Cash and cash equivalents – classified as loans and receivables
- Other financial liabilities – classified as financial liabilities measured at amortised cost
- Trade and other payables – classified as financial liabilities measured at amortised cost
- Bank overdraft – classified as financial liabilities measured at amortised cost

##### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that mature within 90 days from the date of acquisition and that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash and cash equivalents are stated at cost which approximates fair value due to the short-term nature of these instruments.

##### **Initial recognition**

Financial instruments are recognised in the statement of financial position when the group becomes a party to the contractual provisions of a financial instrument.

All purchases of financial assets that require delivery within the timeframe established by regulation or market convention ('regular way' purchases) are recognised at the trade date, which is the date on which the group commits to purchase the financial asset. The liability to pay for 'regular way' purchases of financial assets is recognised on the trade date, which is when the group becomes a party to the contractual provisions of the financial instrument.

##### **Derecognition**

###### **Financial assets**

The group derecognises a financial asset (or group of financial assets) or a part of a financial asset (or part of a group of financial assets) when:

- The contractual rights to the cash flows arising from the financial asset have expired; or
- The group transfers financial assets, including substantially all the risks and rewards of ownership of the asset; or
- It transfers the contractual rights to receive the cash flows from the financial asset; or
- It retains the contractual rights to receive the cash flows of the financial asset, but assumes a corresponding contractual obligation to pay the cash flows to one or more recipients, and consequently transfers substantially all the risks and benefits associated with the asset; or
- No future economic benefits are expected from their use.

###### **Financial liabilities**

A financial liability (or group of financial liabilities) or a part of a financial liability (or part of a group of financial liabilities) is derecognised when and only when the liability is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expires.



The difference between the carrying amount of a financial asset or financial liability (or part thereof) that is derecognised and the consideration paid or received, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss for the period.

#### **Initial measurement**

Financial instruments that are categorised and designated at initial recognition as being at fair value through profit or loss are recognised at fair value. Transaction costs, which are directly attributable to the acquisition or on issue of these financial instruments, are recognised immediately in profit and loss.

Financial instruments that are not carried at fair value through profit or loss are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial instruments.

Any difference between the amount at which a financial instrument is initially recognised and the consideration (nominal amount of the loan) is recognised in profit or loss.

#### **Classification**

Financial assets are classified into the following categories:

- Financial assets at fair value through profit or loss
- Held-to-maturity investments;
- Loans and receivables; and
- Available-for-sale financial assets

Financial liabilities are classified into the following categories:

- Financial liabilities at fair value through profit or loss; and
- Financial liabilities at amortised cost.

The group has no financial instruments that are classified as at fair value through profit or loss or held to maturity. The remaining categories are explained further below.

#### **Subsequent measurement**

Subsequent to initial measurement, financial instruments are either measured at fair value or amortised cost, depending on their classification. The group has no financial instruments that are subsequently measured at fair value through profit or loss.

#### **Financial liabilities at amortised cost**

Such liabilities are measured at amortised costs using the effective interest rate method.

#### **Loans and receivables**

Loans and receivables are measured at amortised cost using the effective interest rate method, less an allowance for impairment losses.

#### **Available for sale**

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in equity until the asset is disposed of or determined to be impaired.

Changes in fair value of available-for-sale financial assets denominated in a foreign currency are analysed between translation differences resulting from changes in amortised cost and other changes in the carrying amount. Translation differences on monetary items are recognised in profit or loss, while translation differences on non-monetary items are recognised in other comprehensive income and accumulated in equity.

#### **Impairment**

##### ***Assets carried at amortised cost***

The group assesses at each reporting date whether there is objective evidence that an asset or group of assets is impaired. Impairment provisions raised during the year are charged to profit or loss.

The group reviews the carrying amounts of its loans and receivables to determine whether there is any indication that those loans and receivables have become impaired, using objective evidence at a loan level.

A loan or receivable is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event(s) has an adverse impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognised.

For amounts due to the group, significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy and default of payments are all considered indicators of impairment.

The recoverable amount is the sum of the estimated future cash flows, discounted to their present value using a discount rate that reflects the original effective interest rate relating to the loan. The estimate of the cash flows is assessed on a loan by loan basis.

If the recoverable amount of the loan is estimated to be less than the carrying amount, the carrying amount of the loan is reduced to its recoverable amount by raising an impairment provision (through the use of a separate allowance account), which is recognised as an expense in profit or loss. Loans are written off, either partially or in full, when there is no realistic prospect of full or partial recovery. A write-off is effected against the allowance account.

Where an impairment loss subsequently reverses, the carrying amount of the loan is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the loan in prior years.

A reversal of an impairment loss is immediately recognised in profit or loss.

Loans that would otherwise be past due or impaired and whose terms have been renegotiated and exhibit the characteristics of a performing loan are reset to performing loan status. Loans whose terms have been renegotiated are subject to ongoing review to determine whether they are considered to be impaired or past due.

#### **Assets classified as available for sale**

In the case of loans classified as available-for-sale, financial difficulty experienced by the loan parties and a significant deterioration in the financial position and profitability of these parties are considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment.

If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity as a reclassification adjustment to other comprehensive income and recognised in profit or loss.

#### **Collateral**

Generally no collateral is held in respect of recognised financial assets. The exception to this is insurance relating to certain receivables.

In the event that collateral is held, it is not recognised by the group, as the group does not retain the risks and rewards of ownership, and is obliged to return such collateral to counterparties on settlement of the related obligations.

#### **Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### **Classification as debt or equity**

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Ordinary share capital and any financial instrument issued by the group is classified as equity when:

- Payment of cash, in the form of a dividend or redemption, is at the discretion of the group;
- The instrument does not provide for the exchange of financial instruments under conditions that are potentially unfavourable to the group;
- Settlement in the group's own equity instruments is for a fixed number of equity instruments at a fixed price; and
- The instrument represents a residual interest in the assets of the group after deducting all its liabilities.

Equity instruments are recorded at the proceeds received, net of direct issue costs.

#### **Financial guarantee contracts**

Financial guarantee contracts are contracts that protect a creditor from a loss it may incur if a debtor fails to make payments when due in accordance with the terms of a debt instrument.

These are accounted for as financial instruments and are initially recognised at fair value, which is usually equal to the premium received, if any.

Financial guarantee contracts are subsequently measured at the higher of:

- The amount determined in accordance with IAS 37; and
- The initial fair value less cumulative amortisation in accordance with IAS 18.

The group does not issue any financial guarantee contract for a premium. Therefore, at each reporting date, it considers whether payment under the guarantee contract is probable (more likely than not) for a provision to be recognised under IAS 37. If a provision is recognised, and the provision amount is greater than the existing carrying amount (after amortisation of revenue under IAS 18), an adjustment is required to reflect the provision and recognise the difference in profit or loss.

#### **Transactions that affect equity**

##### **Share capital and share premium and transaction costs**

Shares issued by the company are recorded at the value of the proceeds received less the external costs directly attributable to the issue of the shares. All transactions relating to the issue of shares in the company, together with their associated costs, are accounted for in equity.

### **Treasury shares**

Where the company or any other member of the group purchases the company's equity share capital, such shares are classified as treasury shares and the par value of these treasury shares is deducted from the share capital, whereas the remainder of the cost price is deducted from the share premium until the treasury shares are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in equity.

Treasury shares are deducted from the issued and weighted average number of shares on consolidation. All dividends received on treasury shares are eliminated on consolidation. The group does not recognise any gains or losses through profit or loss when its own shares are repurchased.

### **Fair value determination**

Fair values are determined in accordance with IFRS 13 Fair Value Measurement and classified as level 1, 2 or 3. Transfers between the levels in the fair value hierarchy are recognised at the reporting date.

## **1.7 TAX**

### **Income taxes**

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In such cases, the tax is also recognised in other comprehensive income or directly in equity, respectively.

### **Current taxation**

Current taxation is the expected tax payable/refundable based on the taxable income/loss for the year, using taxation rates enacted or substantively enacted at the reporting date, and any adjustment to taxation payable in respect of previous years (prior-period tax paid).

### **Deferred taxation**

Deferred taxation is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective taxation bases. The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, and is measured at the taxation rates (enacted or substantively enacted at the reporting date) that are expected to be applied to the temporary differences when they reverse.

Deferred taxation is recognised in profit or loss for the period, except to the extent that it relates to a transaction that is recognised directly in equity or in other comprehensive income, or a business combination that is accounted for as an acquisition.

The effect on deferred taxation of any changes in taxation rates is recognised in profit or loss for the period, except to the extent that it relates to items previously charged or credited directly to equity.

Deferred taxation liabilities are generally recognised for all taxable temporary differences, and deferred taxation assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- a) the initial recognition of goodwill; or
- b) the initial recognition of an asset or liability in a transaction which:
  - (i) is not a business combination; and
  - (ii) at the time of the transaction, affects neither accounting profit nor taxable profit/(tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

- (i) is not a business combination; and
- (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Deferred tax is recognised for all taxable temporary differences associated with investments in subsidiaries and associates except to the extent that both of the following conditions are satisfied:

- a) the parent/investor, is able to control the timing of the reversal of the temporary difference; and
- b) it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is recognised for all deductible temporary differences arising from investments in subsidiaries and associates to the extent that, and only to the extent that, it is probable that:

- a) the temporary difference will reverse in the foreseeable future; and
- b) taxable profit will be available against which the temporary difference can be utilised.

Deferred tax is recognised for all deductible temporary differences arising from investments in subsidiaries and associates to the extent that, and only to the extent that, it is probable that:

- a) the temporary difference will reverse in the foreseeable future; and
- b) taxable profit will be available against which the temporary difference can be utilised.

Deferred taxation assets are recognised to the extent that it is probable that future taxable income will be available against which the unutilised taxation losses and deductible temporary differences can be used.

Deferred taxation assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related taxation benefits will be realised.

Deferred taxation assets and liabilities are offset if there is a legally enforceable right to offset current taxation liabilities against current taxation assets, and they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different taxation entities, but they intend to settle current tax liabilities and assets on a net basis or their taxation assets and liabilities will be realised simultaneously.

Deferred taxation assets and liabilities are not discounted.

## **1.8 LEASES**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. All other leases are classified as operating leases.

### **Operating leases – lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease liability. This liability is not discounted.

## **1.9 INVENTORIES**

Inventories are measured at the lower of cost and net realisable value. Cost is determined using the weighted average cost formula. The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

## **1.10 CONSTRUCTION CONTRACTS AND RECEIVABLES**

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profit less recognised losses, the surplus is shown as the amounts due to customers for contract work. Amounts received before the related work is performed are recognised as a liability, as deferred revenue. Amounts billed for work performed but not yet paid by the customer are included in the statement of financial position under construction contract receivables.

## **1.11 IMPAIRMENT OF NON-FINANCIAL ASSETS**

The group assesses at the end of each reporting period whether there is any indication that an item of property, plant and equipment, intangible assets and investment in subsidiary) may be impaired. If any such indication exists, the group estimates the recoverable amount of the asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. If the recoverable amount of an asset or cash-generating unit is less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. That reduction is an impairment loss.

Generally any impairment loss of assets is recognised immediately in profit or loss. Any impairment loss of revalued asset is treated as a revaluation decrease and recognised in other comprehensive income to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that asset.

The group assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for asset or cash-generating unit may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those asset or cash-generating unit is estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of asset or cash-generating unit carried at cost less accumulated depreciation or amortisation is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

## 1.12 EMPLOYEE BENEFITS

### Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

### Termination benefits

The group recognises a liability and expense for termination benefits when the group can no longer withdraw the offer of those benefits. The group can no longer withdraw the offer when the group has communicated to the affected employees a plan of termination meeting all of the following criteria:

- Actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made.
- The plan identifies the number of employees whose employment is to be terminated, their job classifications or functions and their locations (but the plan need not identify each individual employee) and the expected completion date.
- The plan establishes the termination benefits that employees will receive in sufficient detail that employees can determine the type and amount of benefits they will receive when their employment is terminated.

Termination benefits are recognised in the period in which the termination benefits were paid and are not discounted.

Termination benefits were paid as a result of the group's decision to terminate certain employees' employment.

### Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

## 1.13 PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

- the group has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is accounted for as a separate asset.

The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses unless there is an onerous contract.

Contingent assets and contingent liabilities are not recognised.

## 1.14 REVENUE

Revenue arises from:

- Sale of goods (the sale of steel and HDPE plastic pipes, flanges and fittings) – trading and plastics segments;
- Rendering of services (water utility and pipeline services) – water treatment and pipeline services segment;
- Construction revenue (supply of pipe, fittings and accessories, fabrication of steel and plastic pipe fittings and pipeline installation and refurbishment services) – pipeline services segment; and
- Interest revenue – trading, pipeline services and investment segments.

Revenue excludes value-added taxation. Revenue is measured at the fair value of the consideration received or receivable, excluding sales taxes, and reduced by any rebates and trade discounts allowed.

The group applies the revenue recognition criteria set out below to each separately identifiable component of the sales transaction. The consideration received from these multiple-component transactions is allocated to each separately identifiable component in proportion to its relative fair value.

### **Sale of goods**

Revenue from the sale of goods represents the sale of steel and HDPE plastic pipes, flanges and fittings and is recognised when all the following conditions have been satisfied:

- the group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

### **Rendering of services**

Revenue from the rendering of services relates to water utility and pipeline services. When the outcome of transactions involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of transactions can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the group;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Stage of completion is determined by the proportion of costs incurred to date bear to the total estimated costs of the transaction.

### **Construction revenue**

Contract revenue represents supply of pipe, fittings and accessories, fabrication of steel and plastic pipe fittings and pipeline installation and refurbishment services and comprises:

- the initial amount of revenue agreed in the contract; and
- variations in contract work, claims and incentive payments:
  - to the extent that it is probable that they will result in revenue; and
  - they are capable of being reliably measured.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion which is linked to the release certificates, in the form of daily diaries, which are signed by the customer. If there are any contracts in progress at the reporting date, the stage of completion is determined at that date too.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

### **Interest revenue**

Interest revenue is accrued on a yield to maturity basis by reference to the principal outstanding and the interest rate applicable. Interest revenue is recognised in profit or loss using the effective interest method taking into account the expected timing and amount of cash flows.

## **1.15 COST OF SALES**

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs. The related cost of providing services recognised as revenue in the current period is included in cost of sales. Contract costs comprise:

- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the contract; and
- such other costs as are specifically chargeable to the customer under the terms of the contract.

## **1.16 BORROWING COSTS**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

## **1.17 TRANSLATION OF FOREIGN CURRENCIES**

### **Foreign currency transactions**

A foreign currency transaction is recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised in other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised in other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in the functional currency by applying to the foreign currency amount the exchange rate between the functional currency and the foreign currency at the date of the cash flow.

## **1.18 SEGMENT REPORTING**

The group has the following five operating segments:

- Trading
- Water treatment
- Pipeline Services
- Plastics
- Investment

All inter-segment transfers are carried out at arm's length prices based on prices charged to unrelated customers in stand-alone sales of identical goods or services. For management purposes, the group uses the same measurement policies as those used in its financial statements.



## NOTES TO THE FINANCIAL STATEMENTS

|   | 2015               |  |                   | 2014               |  |                   | 2013               |  |                   |
|---|--------------------|--|-------------------|--------------------|--|-------------------|--------------------|--|-------------------|
|   | COST/<br>Valuation | Accumulated<br>depreciation<br>and<br>impairment | Carrying<br>value | COST/<br>Valuation | Accumulated<br>depreciation<br>and<br>impairment | Carrying<br>value | COST/<br>Valuation | Accumulated<br>depreciation<br>and<br>impairment | Carrying<br>value |
|   | R                  | R  | R                 | R                  | R  | R                 | R                  | R  | R                 |
| <b>2. PROPERTY,<br/>PLANT AND<br/>EQUIPMENT</b> |                    |  |                   |                    |  |                   |                    |  |                   |
| Land and buildings                              | -                  | -  | -                 | -                  | -  | -                 | 32 800 000         | -  | 32 800 000        |
| Land  | 21 499 183         | -  | 21 499 183        | 16 686 333         | -  | 16 686 333        | -                  | -  | -                 |
| Buildings                                       | 39 369 533         | (1 911 695)                                      | 37 457 838        | 33 612 343         | (98 676)   | 33 513 667        | -                  | -  | -                 |
| Plant and machinery                             | 44 179 540         | (18 270 147)                                     | 25 909 393        | 44 427 571         | (13 660 781)                                     | 30 766 790        | 21 535 650         | (6 585 134)                                      | 14 950 516        |
| Furniture and fixtures                          | 681 543            | (470 729)  | 210 814           | 673 304            | (401 522)  | 271 782           | 668 553            | (333 142)  | 335 411           |
| Motor vehicles                                  | 2 990 181          | (1 249 285)                                      | 1 740 896         | 4 573 122          | (2 530 873)                                      | 2 042 249         | 3 802 129          | (1 986 128)                                      | 1 816 001         |
| Office equipment                                | 379 535            | (340 225)  | 39 310            | 379 535            | (329 081)  | 50 454            | 363 409            | (309 778)  | 53 631            |
| Computer equipment                              | 471 095            | (445 582)  | 25 513            | 465 920            | (418 488)  | 47 432            | 450 891            | (371 433)  | 79 458            |
| Leasehold improvements                          | 187 630            | (131 077)  | 56 553            | 187 630            | (109 924)  | 77 706            | 187 630            | (88 770)   | 98 860            |
| Laboratory equipment                            | 3 318 936          | (852 038)  | 2 466 898         | 3 318 936          | (424 156)  | 2 894 780         | -                  | -  | -                 |
| Tools   | 216 722            | (46 690)   | 170 032           | 179 021            | (16 737)   | 162 284           | 228 519            | (193 037)  | 35 482            |
| <b>Total</b>                                    | <b>113 293 898</b> | <b>(23 717 468)</b>                              | <b>89 576 430</b> | <b>104 503 715</b> | <b>(17 990 238)</b>                              | <b>86 513 477</b> | <b>60 036 781</b>  | <b>(9 867 422)</b>                               | <b>50 169 359</b> |

### RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT – GROUP – 2015

|                        | Opening<br>balance | Additions         | Disposals<br>and<br>scrappings | Disposals<br>of<br>subsidiary | Revalua-<br>tions | Deprecia-<br>tion  | Total             |
|------------------------|--------------------|-------------------|--------------------------------|-------------------------------|-------------------|--------------------|-------------------|
|                        | R                  | R                 | R                              | R                             | R                 | R                  | R                 |
| Land                   | 16 686 333         | 4 812 850         | -                              | -                             | -                 | -                  | 21 499 183        |
| Buildings              | 33 513 667         | 3 243 496         | -                              | -                             | 2 513 694         | (1 813 019)        | 37 457 838        |
| Plant and machinery    | 30 766 790         | 3 604 978         | (799 787)                      | (1 071 194)                   | -                 | (6 591 394)        | 25 909 393        |
| Furniture and fixtures | 271 782            | 5 626             | -                              | -                             | -                 | (66 594)           | 210 814           |
| Motor vehicles         | 2 042 249          | 505 917           | (174 872)                      | -                             | -                 | (632 398)          | 1 740 896         |
| Office equipment       | 50 454             | -                 | -                              | -                             | -                 | (11 144)           | 39 310            |
| Computer equipment     | 47 432             | 6 518             | -                              | -                             | -                 | (28 437)           | 25 513            |
| Leasehold improvements | 77 706             | -                 | -                              | -                             | -                 | (21 153)           | 56 553            |
| Laboratory equipment   | 2 894 780          | -                 | -                              | -                             | -                 | (427 882)          | 2 466 898         |
| Tools                  | 162 284            | 49 556            | -                              | -                             | -                 | (41 808)           | 170 032           |
|                        | <b>86 513 477</b>  | <b>12 228 941</b> | <b>(974 659)</b>               | <b>(1 071 194)</b>            | <b>2 513 694</b>  | <b>(9 633 829)</b> | <b>89 576 430</b> |

### RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT – GROUP – 2014

|                        | Opening<br>balance | Additions         | Disposals<br>and<br>scrappings | Disposals<br>of<br>subsidiary | Revalua-<br>tions | Deprecia-<br>tion  | Total             |
|------------------------|--------------------|-------------------|--------------------------------|-------------------------------|-------------------|--------------------|-------------------|
|                        | R                  | R                 | R                              | R                             | R                 | R                  | R                 |
| Land                   | 15 527 414         | 1 158 919         | -                              | -                             | -                 | -                  | 16 686 333        |
| Buildings              | 17 272 586         | 13 083 531        | -                              | 3 256 226                     | -                 | (98 676)           | 33 513 667        |
| Plant and machinery    | 14 950 508         | 20 388 073        | (311 315)                      | -                             | (230 564)         | (4 029 912)        | 30 766 790        |
| Furniture and fixtures | 335 411            | 4 750             | -                              | -                             | -                 | (68 379)           | 271 782           |
| Motor vehicles         | 1 816 001          | 587 507           | (50 676)                       | -                             | 230 564           | (541 147)          | 2 042 249         |
| Office equipment       | 53 631             | 16 126            | -                              | -                             | -                 | (19 303)           | 50 454            |
| Computer equipment     | 79 458             | 16 751            | -                              | -                             | -                 | (48 777)           | 47 432            |
| Leasehold improvements | 98 860             | -                 | -                              | -                             | -                 | (21 154)           | 77 706            |
| Laboratory equipment   | -                  | 3 318 936         | -                              | -                             | -                 | (424 156)          | 2 894 780         |
| Tools                  | 35 482             | 179 021           | -                              | -                             | -                 | (52 219)           | 162 284           |
|                        | <b>50 169 351</b>  | <b>38 753 614</b> | <b>(361 991)</b>               | <b>3 256 226</b>              | <b>-</b>          | <b>(5 303 723)</b> | <b>86 513 477</b> |

**RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT – GROUP – 2013**

|                        | Opening<br>balance<br>R | Additions<br>R | Disposals<br>and<br>scrappings<br>R | Disposals<br>of<br>subsidiary<br>R | Revalua-<br>tions<br>R | Deprecia-<br>tion<br>R | Total<br>R        |
|------------------------|-------------------------|----------------|-------------------------------------|------------------------------------|------------------------|------------------------|-------------------|
| Land and buildings     | 32 800 000              | –              | –                                   | –                                  | –                      | –                      | 32 800 000        |
| Plant and machinery    | 19 533 420              | 92 000         | (1 005 888)                         | –                                  | –                      | (3 669 016)            | 14 950 516        |
| Furniture and fixtures | 627 756                 | 789            | (170 289)                           | –                                  | –                      | (122 845)              | 335 411           |
| Motor vehicles         | 2 840 377               | 428 688        | (642 730)                           | –                                  | –                      | (810 334)              | 1 816 001         |
| Computer equipment     | 161 626                 | 63 572         | –                                   | –                                  | –                      | (145 740)              | 79 458            |
| Office equipment       | 66 447                  | 42 986         | (1 450)                             | –                                  | –                      | (54 352)               | 53 631            |
| Leasehold improvements | 16 772                  | 98 421         | –                                   | –                                  | –                      | (16 333)               | 98 860            |
| Tools                  | 620 450                 | 1 107          | –                                   | –                                  | –                      | (586 075)              | 35 482            |
|                        | <b>56 666 848</b>       | <b>727 563</b> | <b>(1 820 357)</b>                  | <b>–</b>                           | <b>–</b>               | <b>(5 404 695)</b>     | <b>50 169 359</b> |

**GROUP**

|  | 2015<br>R | 2014<br>R | 2013<br>R |
|--|-----------|-----------|-----------|
|--|-----------|-----------|-----------|

**ENCUMBERED SECURITY**

Carrying value of property, plant and equipment encumbered as security:

**Land and buildings – Kliprivier property**

Kliprivier property is encumbered as security for the ABSA mortgage bond as well as a third mortgage bond in favour of Mayfair Speculators Proprietary Limited.

|  |            |            |            |
|--|------------|------------|------------|
|  | 33 700 000 | 32 800 000 | 32 800 000 |
|--|------------|------------|------------|

**Land and buildings – Meyerton 1**

Meyerton 1, from the 2015 financial year, is encumbered as security for a mortgage bond in the amount of R20 million as a continuing covering security in favour of Safripol Proprietary Limited (“Safripol”) for the obligations of the group to Safripol, in respect of raw material purchases.

|  |            |   |   |
|--|------------|---|---|
|  | 18 944 171 | – | – |
|--|------------|---|---|

**Plant and machinery**

Encumbered as security for instalment sale agreements.

|  |         |           |           |
|--|---------|-----------|-----------|
|  | 215 524 | 2 904 418 | 5 361 110 |
|--|---------|-----------|-----------|

**Motor vehicles**

Encumbered as security for instalment sale agreements.

|  |        |         |         |
|--|--------|---------|---------|
|  | 55 954 | 475 626 | 751 048 |
|--|--------|---------|---------|

**DETAILS OF PROPERTIES**
**Kliprivier**

Being the remainder of portion 22 of the farm Waterfall 150I situated in the municipality of Midvaal held under Title Deed No T168191/2007. The gross site area for land is 9 3604m<sup>2</sup> and 9 139m<sup>2</sup> for buildings.

|                          |                   |                   |                   |
|--------------------------|-------------------|-------------------|-------------------|
| At cost                  | 12 000 000        | 12 000 000        | 12 000 000        |
| Accumulated revaluation  | 7 927 318         | 5 413 624         | 6 656 074         |
| Capitalised expenditure  | 15 386 376        | 15 386 376        | 14 143 926        |
| Accumulated depreciation | (1 613 694)       | –                 | –                 |
|                          | <b>33 700 000</b> | <b>32 800 000</b> | <b>32 800 000</b> |

A net amount of R1 103 969 relating to depreciation and deferred tax has been adjusted prospectively in profit or loss during the current financial year, as the net amount was not considered to be material as per the requirements of IAS 8. The Kliprivier buildings consists mainly of an office building and the property is carried at a revalued carrying amount of R33 700 000 (R15 527 414 land and R18 172 586 buildings).

The buildings included on the property have not been depreciated in previous financial years as it is the group’s policy to maintain the buildings in its present condition.

Therefore, the residual value was considered to exceed the carrying amount of the buildings. At the request of the JSE, as part of the proactive monitoring process, a residual value of R4 676 226 was calculated, after consulting with an independent professional associated value who has relevant knowledge and experience in calculating residual values of similar properties in the area where the property is situated. The cumulative amount of the depreciation that was not recognised as at 30 June 2014 was calculated to be R1 357 027 and the resultant deferred tax movement to be (R253 058).

|  | GROUP             |                   |           |
|--|-------------------|-------------------|-----------|
|  | 2015<br>R         | 2014<br>R         | 2013<br>R |
| <b>Meyerton 1</b>  |                   |                   |           |
| This relates to the HDPE pipe manufacturing plant  |                   |                   |           |
| Being Erf No 1061 situated in the municipality of Meyerton, held under Title Deed No T37765/2014 |                   |                   |           |
| At cost  | 13 000 000        | 13 000 000        | –         |
| Accumulated revaluation  | 4 498 676         | 4 498 676         | –         |
| Capitalised expenditure  | 1 743 496         | –                 | –         |
| Accumulated depreciation   | (298 001)         | (98 676)          | –         |
|  | <b>18 944 171</b> | <b>17 400 000</b> | <b>–</b>  |

#### **Meyerton 2**

This relates to the property adjacent to the HDPE pipe manufacturing plant that was acquired during the current financial year.

Being Erf No 1062 situated in the municipality of Meyerton, held under Title Deed No T7625/2015. The gross site area for land is 35412m<sup>2</sup> and 800m<sup>2</sup> for buildings.

At cost **6 312 850**

#### **DETAILS OF VALUATIONS**

##### **Kliprivier**

The effective date of the revaluation was 30 June 2015. The valuation was performed by an independent registered professional associated value. The valuation was based on the capitalised earnings method by determining the property's maintainable earnings and using a capitalisation rate of 11,50% (2014: 10,90%; 2013: 11,40%) per annum.

The following significant assumptions were used:

1. A vacancy provision of 2,00% (2014: 3,00%; 2013: 2,00%);
2. Expenses have been prepared based on the principles of a triple net lease;
3. Market-related net annual rental of R3 876 034 (2014: R3 863 576; 2013: R3 748 877); and
4. Occupation of property by only one tenant.

Had the Kliprivier land and buildings been measured on a historical cost basis, their carrying amounts would have been as follows:

|                            | GROUP             |                   |                   |
|----------------------------|-------------------|-------------------|-------------------|
|                            | 2015<br>R         | 2014<br>R         | 2013<br>R         |
| Land                       | 12 000 000        | 12 000 000        | 12 000 000        |
| Buildings and improvements | 14 037 014        | 15 386 376        | 14 143 926        |
|                            | <b>26 037 014</b> | <b>27 386 376</b> | <b>26 143 926</b> |

#### **Meyerton 1**

The valuation was performed by an independent registered professional associated valuer on 22 August 2014. A valuation was not performed by the directors as at 30 June 2015 as the property is not subject to significant and volatile changes in fair value. Management conducted market research into the significant assumptions used by the independent value on 22 August 2014 and concluded that there were no significant changes in those assumptions. The 2014 valuation was based on the capitalised earnings method by determining the property's maintainable earnings and using a capitalisation rate of 12,00% per annum.

The following significant assumptions were used in the 2014 valuation:

1. A vacancy provision of 2,00%;
2. Expenses have been prepared based on properties similar in size and nature; and
3. Market-related net annual rental of R2 093 806.

Had Meyerton 1 land and buildings been measured on a historical cost basis, their carrying amounts would have been as follows:

#### Meyerton 1

|                            | GROUP             |                   |           |
|----------------------------|-------------------|-------------------|-----------|
|                            | 2015<br>R         | 2014<br>R         | 2013<br>R |
| Land                       | 1 158 919         | 1 158 919         | –         |
| Buildings and improvements | 13 340 610        | 11 742 405        | –         |
|                            | <b>14 499 529</b> | <b>12 901 324</b> | <b>–</b>  |

#### Meyerton 2

The property was acquired on 9 February 2015 for a total consideration of R6 312 850 and the transaction was concluded in an arm's length and orderly manner. The directors performed a valuation of the property as at 30 June 2015 based on the capitalised earnings method by determining the property's maintainable earnings and using a capitalisation rate of 12,00% per annum. The result of the valuation did not indicate a significant difference in the fair value of the property from the date of acquisition.

The following significant assumptions were used:

1. A vacancy provision of 2,00%;
2. Expenses have been prepared based on properties similar in size and nature;
3. Market-related net annual rental of R725 465; and
4. Occupation of property by only one tenant.

Had Meyerton 2 land and buildings been measured on a historical cost basis, their carrying amounts would have been as follows:

|                            | GROUP            |           |           |
|----------------------------|------------------|-----------|-----------|
|                            | 2015<br>R        | 2014<br>R | 2013<br>R |
| Land                       | 4 812 850        | –         | –         |
| Buildings and improvements | 1 500 000        | –         | –         |
|                            | <b>6 312 850</b> | <b>–</b>  | <b>–</b>  |

### 3. INTANGIBLE ASSETS

|                   | 2015           |                                  |                        | 2014           |                                  |                        | 2013             |                                  |                        |
|-------------------|----------------|----------------------------------|------------------------|----------------|----------------------------------|------------------------|------------------|----------------------------------|------------------------|
|                   | Cost<br>R      | Accumulated<br>Amortisation<br>R | Carrying<br>value<br>R | Cost<br>R      | Accumulated<br>Amortisation<br>R | Carrying<br>value<br>R | Cost<br>R        | Accumulated<br>Amortisation<br>R | Carrying<br>value<br>R |
| <b>Group</b>      |                |                                  |                        |                |                                  |                        |                  |                                  |                        |
| Licences          | 581 455        | (140 518)                        | 440 937                | 581 455        | (117 260)                        | 464 195                | 581 455          | (94 002)                         | 487 453                |
| Computer software | 162 537        | (87 062)                         | 75 475                 | 157 037        | (54 555)                         | 102 482                | 5 736 103        | (5 603 727)                      | 132 376                |
|                   | <b>743 992</b> | <b>(227 580)</b>                 | <b>516 412</b>         | <b>738 492</b> | <b>(171 815)</b>                 | <b>566 677</b>         | <b>6 317 558</b> | <b>(5 697 729)</b>               | <b>619 829</b>         |

#### RECONCILIATION OF INTANGIBLE ASSETS – GROUP – 2015

|                   | Opening<br>balance<br>R | Additions<br>R | Amortisation<br>R | Total<br>R     |
|-------------------|-------------------------|----------------|-------------------|----------------|
| Licences          | 464 195                 | –              | (23 258)          | 440 937        |
| Computer software | 102 482                 | 5 497          | (32 504)          | 75 475         |
|                   | <b>566 677</b>          | <b>5 497</b>   | <b>(55 762)</b>   | <b>516 412</b> |

#### RECONCILIATION OF INTANGIBLE ASSETS – GROUP – 2014

|                   | Opening<br>balance<br>R | Additions<br>R | Amortisation<br>R | Total<br>R     |
|-------------------|-------------------------|----------------|-------------------|----------------|
| Licences          | 487 453                 | –              | (23 258)          | 464 195        |
| Computer software | 132 376                 | –              | (29 894)          | 102 482        |
|                   | <b>619 829</b>          | <b>–</b>       | <b>(53 152)</b>   | <b>566 677</b> |

**RECONCILIATION OF INTANGIBLE ASSETS – GROUP – 2013**

|                   | Opening<br>balance<br>R | Additions<br>R | Amortisation<br>R | Total<br>R     |
|-------------------|-------------------------|----------------|-------------------|----------------|
| Licences          | 510 712                 | –              | (23 259)          | 487 453        |
| Computer software | –                       | 157 037        | (24 661)          | 132 376        |
|                   | <b>510 712</b>          | <b>157 037</b> | <b>(47 920)</b>   | <b>619 829</b> |

**4. INVESTMENTS IN SUBSIDIARIES**

|  | ISSUE<br>SHARE CAPITAL |           |           | PERCENTAGE<br>HOLDING |           |           | SHARES AT<br>CARRYING VALUE |             |             |
|--|------------------------|-----------|-----------|-----------------------|-----------|-----------|-----------------------------|-------------|-------------|
|  | 2015<br>R              | 2014<br>R | 2013<br>R | 2015<br>%             | 2014<br>% | 2013<br>% | 2015<br>R                   | 2014<br>R   | 2013<br>R   |
| <b>Group</b>   |                        |           |           |                       |           |           |                             |             |             |
| <b>2015</b>  |                        |           |           |                       |           |           |                             |             |             |
| <b>Directly held</b>                                     |                        |           |           |                       |           |           |                             |             |             |
| RARE Group Proprietary Limited                           | 188                    | 188       | 188       | 100                   | 100       | 100       | 124 031 129                 | 134 394 729 | 289 538 417 |
| <b>Indirectly held</b>                                   |                        |           |           |                       |           |           |                             |             |             |
| <b>RARE Construction Zambia</b>                          | 100                    | 100       |           | 99                    | 99        |           | 100                         | 100         |             |
| <b>RARE Tech Proprietary Limited</b>                     | 100                    | 100       |           | 100                   | 100       |           | 834 419                     | 834 419     |             |
| <b>Isici Trading and Investments Proprietary Limited</b> | 100                    | 100       |           | 100                   | 100       |           | 100                         | 100         |             |
| <b>Xylo Pipe Proprietary Limited</b>                     | 100                    | 100       |           | –                     | 75        |           | –                           | 75          |             |
| <b>RARE Botswana</b>                                     | 100                    | 100       |           | 100                   | 100       |           | –                           | –           | –           |
| <b>RARE Capital Proprietary Limited</b>                  | 100                    | 100       |           | 100                   | 100       |           | –                           | –           | –           |

The aggregate amount of net losses incurred by subsidiaries for the year from continuing and discontinuing operations amounted to R6,1million (2014: R24,7 million).The company's voting power is in direct proportion to its percentage holding.

**Details of subsidiaries' operations**

The RARE Group Proprietary Limited is engaged in sourcing, supplying and distributing pipes, valves, fittings and associated commodities within the engineering, energy and resources sector as well as logistics relating to the supply of the valves, fittings and associated commodities, manufacturing and installation of plastic engineering projects and civil maintenance work.

RARE Construction Zambia is engaged in the sourcing, supply and distribution of pipes, valves, fittings and associated commodities in Zambia. The functional currency of the company is South African Rands.

RARE Tech Proprietary Limited's primary business is that of a property holding company.

Isici Trading and Investments Proprietary Limited was dormant during the current and prior year.

Xylo Pipe Proprietary Limited is engaged in the development of solutions for rehabilitation of pipeline infrastructure. Xylo Pipe Proprietary Limited was sold during the year under review.

RARE Botswana was dormant in the current and prior year.

RARE Capital Proprietary Limited is engaged in implementing and operating debtors' securitisation of The Rare Group Proprietary Limited.

**Restrictions**

The following warranty contained in the contractual agreement with a loan creditor of the group, Mayfair Speculators Proprietary Limited ("Mayfair"), restricts the ability of the group to make distributions:

- Rare Capital or any other member of the group will not declare any dividends unless all amounts owing to Mayfair have been repaid.

|   | GROUP      |            |           |
|---|------------|------------|-----------|
|   | 2015<br>R  | 2014<br>R  | 2013<br>R |
| The carrying amount of the assets of Rare Capital included in the consolidated results consists of: |            |            |           |
| Cash and cash equivalents   | 6 565 156  | 2 618 990  |           |
| The carrying amount of the liability due to Mayfair amounts to:                                     |            |            |           |
| Other financial liabilities (refer to note 18)  | 52 526 367 | 42 443 396 |           |

The following subsidiaries are not incorporated in South Africa:

| Name of subsidiary  | Country of incorporation |
|---|--------------------------|
| Rare Construction Zambia (indirectly held via The Rare Group Proprietary Limited) | Zambia                   |
| Rare Botswana (indirectly held via The Rare Group Proprietary Limited)            | Botswana                 |

| Name of Company                        | Listed/<br>unlisted | %<br>holding<br>2015 | %<br>holding<br>2014 | Carrying<br>amount<br>2015<br>R | Carrying<br>amount<br>2014<br>R |
|--|---------------------|----------------------|----------------------|---------------------------------|---------------------------------|
| The Rare Group Proprietary Limited     | Unlisted            | 100                  | 100                  | 439 538 417                     | 439 538 417                     |
| Impairment of investment in subsidiary |                     |                      |                      | (315 507 288)                   | (305 143 688)                   |
|  |                     |                      |                      | <b>124 031 129</b>              | <b>134 394 729</b>              |

The carrying amount of the subsidiary is shown net of any impairment losses. An impairment loss of R10 363 600 (2014: R15 605 271) was recognised during the year under review.

The reason for the impairment of the investment in The Rare Group Proprietary Limited is due to the recurring operating losses incurred by the company. The recoverable amount of the investment in the subsidiary is based on the fair value less costs of disposal of the subsidiary at the end of the current and previous financial years.

The recoverable amount of the investment in the subsidiary, being fair value less cost to sell, is categorised within the level 3 fair value hierarchy.

The fair value less costs of disposal was measured with reference to the fair value of the consolidated assets of the subsidiary. The most significant assets of the subsidiary include property, plant and equipment, inventories, trade and other receivables and cash and cash equivalents. The property, plant and equipment, trade and other receivables and cash and cash equivalents are stated at their fair values in the financial statements of the subsidiary and a calculation of the fair value of the inventories of the subsidiary, less its estimated costs to complete and sell, was performed.

The current economic environment, specifically the unpredictability of the commodity sector, may affect the estimate of the recoverable amount of the subsidiary.

The following are the key assumptions used in the calculation of the fair value less costs of disposal of the subsidiary:

- The estimated selling prices and costs to complete and sell the inventories of the subsidiary are based on current market conditions; and
- The key assumptions used in the valuation of the properties of the subsidiary (being Kliprivier, Meyerton 1 and 2) that are carried at fair value are disclosed in note 2.

#### Reconciliation of impairment in subsidiary

|                       | GROUP     |           |           |
|-----------------------|-----------|-----------|-----------|
|                       | 2015<br>R | 2014<br>R | 2013<br>R |
| Opening balance       | -         | -         | -         |
| Impairment recognised | -         | -         | -         |
|                       | -         | -         | -         |

5. INVESTMENT IN ASSOCIATE

|  | Listed/<br>unlisted | %<br>holding<br>2015 | %<br>holding<br>2014 | %<br>holding<br>2013 | Shares at<br>carrying<br>value<br>2015<br>R | Shares at<br>carrying<br>value<br>2014<br>R | Shares at<br>carrying<br>value<br>2013<br>R |
|--|---------------------|----------------------|----------------------|----------------------|---|---|---|
| Zeta training solutions                  | Unlisted            | 49                   | 49                   | 49                   | 49  | 49  | 49  |
| Impairment of investment<br>in associate |                     | -                    | -                    | -                    | (49)  | (49)  | (49)  |
|  |                     |                      |                      |                      | -   | -   | -   |

Zeta Training Solutions Proprietary Limited is engaged in providing training solutions.

The carrying amount of the investment in the associate is shown net of any impairment losses. The reason for the impairment of the investment in the associate was due to a decrease in the fair value of the assets and liabilities of the entity.

|  | GROUP       |             |             |
|--|-------------|-------------|-------------|
|  | 2015<br>R   | 2014<br>R   | 2013<br>R   |
| <b>Associate</b>   |             |             |             |
| Zeta training Solutions Proprietary Limited  | 1 414 700   | 1 414 700   | 1 414 700   |
| This loan is unsecured, interest free and not subject to any fixed terms<br>of repayment |             |             |             |
| Impairment of loan to associate  | (1 414 700) | (1 414 700) | (1 414 700) |
|  | -           | -           | -           |

**Credit quality of loans to group companies**

The credit quality of loans to group companies are assessed with reference to the financial position of the relevant companies, past experience and other factors. During the reporting period there has not been a significant change in the financial position of the companies. The financial position of the companies were determined by evaluating the companies' solvency, liquidity and profitability and the credit quality has been determined as low for these group companies.

**Fair value of loans to group companies**

The carrying amount of the loans to group companies approximate the fair value.

**Impairment of loans to group companies**

As at 30 June 2015, the following loans were impaired and provided for as follows:

|   | GROUP            |                  |                  |
|---|------------------|------------------|------------------|
|   | 2015<br>R        | 2014<br>R        | 2013<br>R        |
| Zeta training Solutions Proprietary Limited                     | 1 414 700        | 1 414 700        | 1 414 700        |
| The Rare Group Proprietary Limited                              | -                | 0                | 0                |
|   | <b>1 414 700</b> | <b>1 414 700</b> | <b>1 414 700</b> |
| <b>Reconciliation of impairment of loans to group companies</b> |                  |                  |                  |
| Opening balance   | 1 414 700        | 1 414 700        | 4 170 102        |
| Impairment losses reversed                                      |                  |                  | (852 000)        |
| Impairment losses recognised                                    |                  |                  | 179 925          |
| Amounts written off as uncollectable                            |                  |                  | (2 083 327)      |
|   | <b>1 414 700</b> | <b>1 414 700</b> | <b>1 414 700</b> |



|           |   | GROUP             |                   |                   |
|-----------|---|-------------------|-------------------|-------------------|
|           |   | 2015              | 2014              | 2013              |
|           |   | R                 | R                 | R                 |
| <b>6.</b> | <b>OTHER FINANCIAL ASSETS</b>   |                   |                   |                   |
|           | <b>Available-for-sale</b>   |                   |                   |                   |
|           | <b>Investment: RARE Group Angola SARL</b>   | 64 435            | 64 435            | 64 435            |
|           | The investment comprises 10% of the unlisted shares in The Rare Group Angola SARL, a company incorporated in Angola   |                   |                   |                   |
|           | <b>Other loan receivable</b>  | –                 | –                 | 21 485            |
|           | The loan is unsecured, interest free and is not subject to any fixed terms of repayment.  |                   |                   |                   |
|           | <b>RARE Petrochemical Angola Energy SARL</b>  | 11 262 117        | 11 262 117        | 11 262 117        |
|           | This unsecured loan bears interest at the prime overdraft lending rate, being 9.25% per annum (2014: 9.00%), (2013: 8.50%). Interest may only be recognised to the extent that it is probable that future economic benefits will flow to the group. After review of the financial position of the entity, the group does not reasonably expect to recover and funds. Accordingly, although the loan is interest bearing, the group has not recognised any interest income in respect of this loan. The loan is not subject to any fixed terms of repayment. |                   |                   |                   |
|           | <b>RARE Group Angola SARL</b>   | 48 718 215        | 48 718 215        | 48 718 215        |
|           | This unsecured loan bears interest at the prime overdraft lending rate, being 9.25% per annum (2014: 9.00%), (2013: 8.50%). Interest may only be recognised to the extent that it is probable that future economic benefits will flow to the group. After review of the financial position of the entity, the group does not reasonably expect to recover and funds. Accordingly, although the loan is interest bearing, the group has not recognised any interest income in respect of this loan. The loan is not subject to any fixed terms of repayment. |                   |                   |                   |
|           |   | <b>60 044 767</b> | <b>60 044 767</b> | <b>60 066 252</b> |
|           | Available-for-sale impairments  | (60 044 767)      | (60 044 767)      | (60 044 767)      |
|           |   | –                 | –                 | <b>21 485</b>     |
|           | <b>Loans and Receivables</b>  |                   |                   |                   |
|           | Ronald Greg Adcock  | –                 | 133 215           | 259 751           |
|           | Harry Rosen   | –                 | 133 215           | 259 751           |
|           | John Schulkins  | –                 | 133 215           | 259 751           |
|           | These loans bore interest at 10,00% per annum and were repaid in fixed monthly instalments of R13 333 per loan. The loans were settled during the current financial year  |                   |                   |                   |
|           |   |                   | <b>399 645</b>    | <b>779 253</b>    |
|           | <b>Total other financial assets</b>   | –                 | <b>399 645</b>    | <b>800 738</b>    |

Other financial assets are denominated in Rand.

#### Credit quality of other financial assets

The credit quality of financial assets are assessed with reference to the financial position of the relevant parties, past experience and other factors.

During the reporting period under review, except for the companies mentioned below, there has not been a significant change in the financial position of the parties. The financial position of the parties was determined by assessing their solvency, liquidity and profitability and the credit quality has been determined as low for the available for sale financial assets and as good for the loans and receivables (which had been settled in full during the current financial year).

#### Fair value of available-for-sale financial assets

The carrying amount of the available-for-sale financial assets approximates the fair value.

**Other financial assets impaired**

As at 30 June 2015 other financial assets of R60 044 767 (2014: R60 044 767) were impaired and provided for as follows:

|                                   | <b>GROUP</b>      |                   |                   |
|-----------------------------------|-------------------|-------------------|-------------------|
|                                   | <b>2015</b>       | <b>2014</b>       | <b>2013</b>       |
|                                   | <b>R</b>          | <b>R</b>          | <b>R</b>          |
| Investment RARE Group Angola SARL | 64 435            | 64 435            | 64 435            |
| Loan: RARE Group Angola           | 48 718 215        | 48 718 215        | 48 718 215        |
| Loan: RARE Petrochemical Angola   | 11 262 117        | 11 262 117        | 11 262 117        |
|                                   | <b>60 044 767</b> | <b>60 044 767</b> | <b>60 044 767</b> |

|   | <b>GROUP</b>       |                    |                    |
|---|--------------------|--------------------|--------------------|
|   | <b>2015</b>        | <b>2014</b>        | <b>2013</b>        |
|   | <b>R</b>           | <b>R</b>           | <b>R</b>           |
| <b>7. DEFERRED TAX</b>  |                    |                    |                    |
| <b>Deferred tax liability</b>   |                    |                    |                    |
| Accelerated capital allowances  |                    |                    | (2 028 205)        |
| Plant and equipment   | (2 419 813)        | (2 704 456)        |                    |
| Accelerated capital allowances  |                    |                    |                    |
| Intangible assets   | (134 970)          | (135 414)          |                    |
| Revaluation of land   | (657 863)          | (657 863)          | (2 304 495)        |
| Revaluation of buildings  | (3 122 863)        | (2 605 248)        |                    |
| Leave pay provision   | 273 991            | 290 893            |                    |
| Bonus provision   | 161 015            | 196 815            |                    |
| Provision for settlement discount (liability)   | 220 917            | 17 460             |                    |
| Provision and accruals for bonuses, leave pay, credit notes and doubtful debts  |                    |                    | 1 384 919          |
| Provision for settlement discount (asset)   | -                  | (13 411)           |                    |
| Provision for credit notes  | 396 596            | -                  |                    |
| Impairment of receivables   | 440 602            | -                  |                    |
| Operating lease liability   | -                  | 3 071              |                    |
| Income received in advance  | 3 640 360          | -                  | 8 380 971          |
| Service contracts in progress   | -                  | (191 555)          |                    |
| Tax losses available for set off against future taxable income  | 70 240 973         | 72 362 626         | 55 201 678         |
| Unrecognised portion of tax losses and/or other temporary differences available for set off against future taxable income | (71 689 830)       | (69 002 994)       | (62 904 015)       |
|   | <b>(2 650 885)</b> | <b>(2 440 076)</b> | <b>(2 269 147)</b> |

|  | GROUP              |                    |                    |
|--|--------------------|--------------------|--------------------|
|  | 2015<br>R          | 2014<br>R          | 2013<br>R          |
| <b>Reconciliation of deferred tax liability</b>  |                    |                    |                    |
| At the beginning of the year   | (2 440 076)        | (2 269 147)        | (1 347 552)        |
| (Reversing)/originating temporary differences on tax losses available for set off against future taxable income                                      | (2 121 653)        | 17 160 948         | 4 499 081          |
| (Originating)/reversing temporary differences on the portion of tax losses and/or other temporary differences not recognised as a deferred tax asset | (2 686 836)        | (6 098 979)        | (10 840 995)       |
| Reversing/(Originating) temporary difference on plant and equipment  | 284 643            | (410 812)          | (1 590 325)        |
| Reversing/(Originating) temporary difference on intangible assets  | 444                | (400 853)          |                    |
| Originating temporary difference on land and buildings   | (517 615)          | (958 616)          | (899 573)          |
| (Reversing)/originating temporary differences on provision for leave pay   | (16 902)           | 48 352             | 202 615            |
| (Reversing)/originating temporary differences on provision for bonuses   | (35 800)           | 75 073             |                    |
| Originating temporary difference on provision for settlement discount (liability)  | 203 457            | 17 460             |                    |
| Reversing/(Originating) temporary difference on provision for settlement discount (asset)  | 13 411             | (13 411)           |                    |
| Originating/(reversing) temporary difference on provision of credit notes  | 396 596            | (603 615)          |                    |
| Originating/(reversing) temporary difference on impairment of receivables  | 440 602            | (417 021)          |                    |
| (Reversing)/originating temporary differences on operating lease   | (3 071)            | 3 071              | (28 264)           |
| Originating/(reversing) temporary difference on income received in advance   | 3 640 360          | (8 380 971)        | 7 174 642          |
| Reversing/(Originating) temporary difference on service contracts  | 191 555            | (191 555)          |                    |
| Reversing/(Originating) temporary difference on prepayments  |                    |                    | 561 224            |
|  | <b>(2 650 885)</b> | <b>(2 440 076)</b> | <b>(2 269 147)</b> |

#### Deferred tax movements included in other comprehensive income

|   | GROUP        |              |           |
|---|--------------|--------------|-----------|
|   | 2015<br>R    | 2014<br>R    | 2013<br>R |
| Originating temporary differences on revaluation of buildings | (469 176.00) | (605 062.00) |           |

#### Use and sales rate

The deferred tax rate applied to the revaluation adjustments of land and buildings is determined by the expected manner of recovery. Where the expected recovery of the land and buildings is through sale the capital gains tax rate of 18.65% (2014: 18.65%) is used. If the expected manner of recovery is through indefinite use the normal tax rate of 28.00% (2014: 28.00%) is applied.

As the manner of recovery of the buildings is through a combination of sale and indefinite use, the normal and capital gains tax rates are used as the deferred tax rate. The expected manner of recovery of the land is through sale, therefore the capital gains tax rate is used.

The deferred tax on land and buildings comprises:

Land: R657 863 (2014: R657 863) at the capital gains tax rate; and

Buildings: R3 122 863 (2014: R2 605 248) at the normal and capital gains tax rate.

#### Unrecognised deferred tax asset

The deferred tax asset which relates to assessed losses of the group amount to R70 240 973 (2014: R72 362 626) and of the company amount to R259 838 (2014: R383 482).

The asset is only recognised to the extent that sufficient taxable temporary differences are available which will result in taxable amounts against which the unused tax losses and other deductible differences can be utilised.

The unrecognised deferred tax asset of the group amounts to R71 689 830 (2014: R69 002 994) and R259 838 (2014: R383 482) of the company, and could be recognised again when trading conditions improve, which will make it more probable that future taxable profit will allow the tax losses to be utilised.

## 8. RETIREMENT BENEFITS

### Defined contribution plan

It is the policy of the group to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act, of 1956 exist for this purpose.

The group is under no obligation to cover any unfunded benefits.

|   | GROUP     |           |           |
|---|-----------|-----------|-----------|
|   | 2015<br>R | 2014<br>R | 2013<br>R |
| The total group contributions to such schemes | 3 855 636 | 3 808 351 | 3 993 113 |

## 9. PREPAYMENTS

Prepayments relate to upfront payments made to suppliers for the purchases of inventory and items of property, plant and equipment.

## 10. INVENTORIES

|  |             |             |             |
|--|-------------|-------------|-------------|
| Raw materials  | 28 892 390  | 28 554 673  | –           |
| Work-in-progress   | –           | 684 129     | –           |
| Finished goods and merchandise                                     | 73 036 882  | 87 169 357  | 113 818 326 |
|  | 101 929 272 | 116 408 159 | 113 818 326 |
| Provision for slow moving inventory-finished goods and merchandise | (2 358 531) | (3 595 339) | (3 591 277) |
|  | 99 570 741  | 112 812 820 | 110 227 049 |

During the current financial year inventory to the amount of R227 785 (2014: R3 925 494) was written down and included in cost of sales.

### Reconciliation of provision for slow moving inventory and net realisable value adjustments

|                                    |                    |                    |                  |
|------------------------------------|--------------------|--------------------|------------------|
| Opening balance                    | (3 595 339)        | (3 591 277)        | –                |
| Additional provision               |                    | (4 062)            | –                |
| Provision utilised during the year | 1 236 808          |                    | –                |
|                                    | <b>(2 358 531)</b> | <b>(3 595 339)</b> | <b>3 591 277</b> |

The provision reduced partially because of stock previously provided as slow moving had been sold and partially because stock was scrapped and disposed of.

### Inventory encumbered as security

From 1 July 2014 inventory purchased is encumbered as security for the Mayfair Speculators Proprietary Limited ("Mayfair") consolidated loan facility to the extent that qualifying debtors, including an intergroup loan account, do not cover 120% of the consolidated loan facility from Mayfair.

## 11. TRADE AND OTHER RECEIVABLES

### Trade and other receivables encumbered as security

The debtors of the group, including an intergroup loan account, is presented as security for the Mayfair consolidated loan facility.

### Credit quality of trade receivables

The average credit period granted to customers is 30 days from statement (2014: 30 days from statement), except for the government receivable, one supply project receivable and one Plastics receivable, which are 30 days from certification date, 45 days from date of invoice and 60 days from statement respectively. During previous years certain government and municipal customers had open account certification agreements with the group. Furthermore, one specific government and municipal debtor had a 120 day term. No interest is charged on the non-parastatal customers for the first 60 days from the date of the invoice. Thereafter, interest is charged at the prime overdraft lending rate on the outstanding balance. No interest is charged on the government and municipal customers. The group has ceased all sales transactions with the government and municipal customers during the current financial year. The group assesses whether or not to pursue legal collection for debtors exceeding 120 days from date of statement.

Of the trade and retention debtor balances at the end of the year, R11 844 936 (2014: R17 504 494) is due from individual debtors who represent more than 20% of the total balance of trade receivables and retention debtors.

|                      | GROUP             |                   |                   |
|----------------------|-------------------|-------------------|-------------------|
|                      | 2015<br>R         | 2014<br>R         | 2013<br>R         |
| Trade receivables    | 44 430 325        | 36 274 444        | 31 349 046        |
| Deposits             | 1 307 910         | 1 687 953         | 1 519 083         |
| Value added taxation | 1 703 726         | 1 491 806         | 6 231 089         |
| Other receivables    | 3 459 816         | 1 850 427         | 2 222 141         |
| Retention debtors    | 2 933 498         | 6 185 259         | 7 417 151         |
|                      | <b>53 835 275</b> | <b>47 489 889</b> | <b>48 738 510</b> |

**The ageing of total debtors is as follows:**

|                    |                   |                   |                   |
|--------------------|-------------------|-------------------|-------------------|
| Current to 60 days | 36 769 316        | 26 753 722        | 27 211 758        |
| 60 – 90 days       | 1 786 088         | 7 082 554         | 915 286           |
| 90 – 120 days      | 3 571 670         | 892 135           | 33 026            |
| 120+ days          | 2 303 251         | 1 546 033         | 3 188 976         |
|                    | <b>44 430 325</b> | <b>36 274 444</b> | <b>31 349 046</b> |

**The ageing of government and municipal counterparties is as follows:**

|                    |               |                |                  |
|--------------------|---------------|----------------|------------------|
| Current to 60 days | –             | –              | 167 358          |
| 60 – 90 days       | –             | –              | –                |
| 90 – 120 days      | –             | –              | 20 721           |
| 120+ days          | 53 572        | 336 089        | 1 492 283        |
|                    | <b>53 572</b> | <b>336 089</b> | <b>1 680 362</b> |

**Trade receivables that are neither past due or impaired**

The credit quality of trade receivables that are neither past due nor impaired were assessed by reference to historical information about counterparty default rates and external ratings:

|  |                   |                   |                   |
|--|-------------------|-------------------|-------------------|
| Counterparties with credit guarantee insurance | 22 198 376        | 12 573 258        | 14 343 430        |
| Counterparties without credit insurance        | 14 570 940        | 13 844 375        | 7 354 362         |
| Government and municipal counterparties        | –                 | 336 089           | 721 694           |
|  | <b>36 769 316</b> | <b>26 753 722</b> | <b>22 419 486</b> |

The credit quality of trade receivables that are neither past due nor impaired were assessed as good.

**Fair value of trade and other receivables**

The carrying amount of trade and other receivables approximates the fair value.

**Trade receivables that are neither past due not impaired**

At 30 June 2015, R7 661 008 (2014: R9 520 723) (2013: R8 929 560) related to amounts that were past due but note impaired. These relate to customers from whom there has not been a significant change in credit quality and the amounts are still considered recoverable.

The ageing of amounts past due but not impaired is as follows:

|               |                  |                  |                  |
|---------------|------------------|------------------|------------------|
| 30 – 60 days  | –                | –                | 5 319 823        |
| 60 – 90 days  | 1 786 088        | 7 082 554        | 915 286          |
| 90 – 120 days | 3 571 670        | 892 135          | 12 305           |
| 120+ days     | 2 303 251        | 1 546 034        | 2 682 146        |
|               | <b>7 661 009</b> | <b>9 520 723</b> | <b>8 929 560</b> |

|   | <b>GROUP</b>   |             |                  |
|---|----------------|-------------|------------------|
|   | <b>2015</b>    | <b>2014</b> | <b>2013</b>      |
|   | <b>R</b>       | <b>R</b>    | <b>R</b>         |
| <b>Trade receivables impaired</b>   |                |             |                  |
| An impairment provision of R569 601, (2014: nil) (2013: R1 985 810) was recognised against trade receivables. The ageing of these impaired trade receivables is as follows: |                |             |                  |
| Current – 60 days   | –              | –           | 26 785           |
| 60 – 90 days  | –              | –           | –                |
| 120+ days   | 569 601        | –           | 1 595 025        |
|   | <b>569 601</b> | <b>–</b>    | <b>1 621 810</b> |
| <b>Reconciliation of provision for impairment of trade receivables</b>  |                |             |                  |
| Opening balance   | –              | 1 985 810   | 1 937 882        |
| Impairment losses recognised  | 569 601        | –           | 47 928           |
| Amounts written off as uncollectable  | –              | (1 156 817) |                  |
| Amounts recovered during the year   | –              | (828 993)   |                  |
|   | <b>569 601</b> | <b>–</b>    | <b>1 985 810</b> |

The creation and release of the provision for impaired receivables have been included in operating expenses in the statement of comprehensive income. When there is no expectation of recovering additional cash, amounts charged to the allowance account are written off.

Provision for impairment was raised against other receivables to the amount of R1 528 506 (2014: Rnil).

Trade receivables of R209 490 (2014: R2 958 276) were written off as irrecoverable. The related write-down was included in operating expenses in the statement of comprehensive income.

The movement in the provision for credit notes included under trade receivables amounted to an increase of R1 416 416 (2014: R2 155 770 decrease).

The movement in the provision for discount allowed included under trade receivables amounted to an increase of R726 631 (2014: R1 302 260 decrease).

The maximum exposure to credit risk at the reporting date is the carrying value of each class of trade and other receivables mentioned above. The group does not hold any collateral as security. Instead insurance cover is taken out for certain trade debtors.

|  | <b>GROUP</b>      |                   |                   |
|--|-------------------|-------------------|-------------------|
|  | <b>2015</b>       | <b>2014</b>       | <b>2013</b>       |
|  | <b>R</b>          | <b>R</b>          | <b>R</b>          |
| <b>Currencies</b>  |                   |                   |                   |
| The carrying amount of trade and other receivables is denominated in the following currencies: |                   |                   |                   |
| Rand   | 40 804 546        | 40 654 430        | 34 783 751        |
| Euro   | 5 251             | 8 180             | –                 |
| Zambian Kwacha   | 51 214            | 642 020           | 13 954 759        |
| US Dollar  | 12 974 264        | 6 185 259         | –                 |
|  | <b>53 835 275</b> | <b>47 489 889</b> | <b>48 738 510</b> |

|            |  | <b>GROUP</b>      |                  |                   |
|------------|--|-------------------|------------------|-------------------|
|            |  | <b>2015</b>       | <b>2014</b>      | <b>2013</b>       |
|            |  | <b>R</b>          | <b>R</b>         | <b>R</b>          |
| <b>12.</b> | <b>CASH AND CASH EQUIVALENTS</b>   |                   |                  |                   |
|            | Cash and cash equivalents consist of:  |                   |                  |                   |
|            | Cash on hand   | 35 420            | 27 799           | 26 080            |
|            | Bank balances  | 24 093 780        | 4 871 453        | 15 081 416        |
|            | Bank overdraft   | (36 866)          | (57 529)         | (92 839)          |
|            |  | <b>24 092 334</b> | <b>4 841 723</b> | <b>15 014 657</b> |
|            | <b>Currencies</b>  |                   |                  |                   |
|            | The carrying amounts of cash and cash equivalents are denominated in the following currencies: |                   |                  |                   |
|            | Rand   | 16 041 586        | 4 096 443        | 14 883 753        |
|            | US Dollar  | 8 017 717         | 661 568          | 43 373            |
|            | Zambian Kwacha   | 33 031            | 83 712           | 87 531            |
|            |  | <b>24 092 334</b> | <b>4 841 723</b> | <b>15 014 657</b> |

As at 30 June 2015 the group has R253 134 (2014: R232 471) of undrawn overdraft facilities available.

**The banking facilities of the group are secured as follows:**

A general notarial bond of R40 000 000 (2014: R40 000 000) over the movable assets of the group in favour of Mayfair Speculators Proprietary Limited.

A general notarial bond of R30 000 000 (2014: R30 000 000) over the movable assets of the group in favour of First National Bank.

A general notarial bond of R12 000 000 (2014: R12 000 000) over the movable assets of the group in favour of Arcelormittal South Africa Limited.

A general notarial bond of Rnil (2014: R550 000) over the movable assets of the group in favour of Spes Machines Proprietary Limited.

An unlimited cession and pledge of book debts of The RARE Group Proprietary Limited. Unlimited cross suretyship by RARE Holdings Limited.

A mortgage bond to the amount of R20 million as a continuing covering security in favour of Safripol Proprietary Limited ("Safripol") for the obligations of the group to Safripol, in respect of raw material purchases.

**13. FINANCIAL ASSETS BY CATEGORY**

The accounting policies for financial instruments have been applied to the line items below:

|                             | <b>Loans and<br/>receivables</b> | <b>Available-<br/>for-sale</b> | <b>Non-financial<br/>instruments</b> | <b>Total</b>      |
|-----------------------------|----------------------------------|--------------------------------|--------------------------------------|-------------------|
|                             | <b>R</b>                         | <b>R</b>                       | <b>R</b>                             | <b>R</b>          |
| <b>Group – 2015</b>         |                                  |                                |                                      |                   |
| Trade and other receivables | 47 363 823                       | 4 767 726                      | 1 703 726                            | 53 835 275        |
| Cash and cash equivalents   | 24 129 200                       | –                              | –                                    | 24 129 200        |
|                             | <b>71 493 023</b>                | <b>4 767 726</b>               | <b>1 703 726</b>                     | <b>77 964 475</b> |
| <b>Group – 2014</b>         |                                  |                                |                                      |                   |
| Other financial assets      | 399 645                          |                                |                                      | 399 645           |
| Trade and other receivables | 42 459 703                       | 3 538 380                      | 1 491 806                            | 47 489 889        |
| Cash and cash equivalents   | 4 899 252                        |                                |                                      | 4 899 252         |
|                             | <b>47 758 600</b>                | <b>3 538 380</b>               | <b>1 491 806</b>                     | <b>52 788 786</b> |
| <b>Group – 2013</b>         |                                  |                                |                                      |                   |
| Other financial assets      | 779 253                          | 21 485                         | –                                    | 800 738           |
| Trade and other receivables | 38 766 197                       | 3 741 224                      | –                                    | 42 507 421        |
| Cash and cash equivalents   | 15 107 496                       | –                              | –                                    | 15 107 496        |
|                             | <b>54 652 946</b>                | <b>3 762 709</b>               | <b>–</b>                             | <b>58 415 655</b> |



|            |  | <b>GROUP</b>       |                    |                      |
|------------|--|--------------------|--------------------|----------------------|
|            |  | <b>2015</b>        | <b>2014</b>        | <b>2013</b>          |
|            |  | <b>R</b>           | <b>R</b>           | <b>R</b>             |
| <b>14.</b> | <b>SHARE CAPITAL</b>   |                    |                    |                      |
|            | <b>Authorised</b>  |                    |                    |                      |
|            | 100 000 000 Ordinary shares of no par value<br>(2014: 100 000 000) (2013: 3 000 000)     | -                  | -                  | -                    |
|            | 100 000 000 Preference shares of no par value<br>(2014: 100 000 000) (2013: 100 000 000) | -                  | -                  | -                    |
|            | <b>Issued</b>  |                    |                    |                      |
|            | 42 887 500 Ordinary shares of no par value<br>(2014: 42 887 500) (2013: 1 788 750 000)   | 282 887 500        | 282 887 500        | 132 887 500          |
|            | Share premium  | 112 665 126        | 112 665 126        | 112 665 126          |
|            | Share issue costs written off against share premium                                      | (4 724 561)        | (3 724 561)        | (2 724 561)          |
|            | Purchase of treasury shares  | (492 759)          | (492 759)          | (3 770)              |
|            |  | <b>390 335 306</b> | <b>391 335 306</b> | <b>242 824 295</b>   |
|            | <b>Reconciliation of number of shares issued:</b>  |                    |                    |                      |
|            | Opening balance  | 42 802 206         | 1 788 746 230      | 538 373 000          |
|            | Share consolidation (100 to 1)   | -                  | (1 770 862 500)    |                      |
|            | Issue of shares – ordinary shares  | -                  | 25 000 000         | 1 250 000 000        |
|            | Purchase of treasury shares  | -                  | (81 524)           | -                    |
|            |  | <b>42 802 206</b>  | <b>42 802 206</b>  | <b>1 788 373 000</b> |
|            | <b>Reconciliation of value of shares issued:</b>   |                    |                    |                      |
|            | Opening balance  | 282 394 741        | 132 883 730        | -                    |
|            | Issue of shares – ordinary shares  | -                  | 150 000 000        | -                    |
|            | Purchase of treasury shares  | -                  | (488 989)          | -                    |
|            |  | <b>282 394 741</b> | <b>282 394 741</b> | <b>132 883 730</b>   |

During 2014, the Company issued shares to Doculate (the major shareholder) for a total consideration of R150 million in terms of a claw-back transaction. Payment for the issue of the additional shares was made directly to Mayfair Speculators Proprietary Limited, to settle, in full, the inventory loans and general facility, and, in part the consolidated facility.

**15. CAPITAL DISCLOSURES**

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. This is achieved, inter alia, through budget setting and monitoring of results against these. Capital comprises all components of equity.

**16. REVALUATION RESERVE**

|  |  | <b>GROUP</b>     |                  |                  |
|--|--|------------------|------------------|------------------|
|  |  | <b>2015</b>      | <b>2014</b>      | <b>2013</b>      |
|  |  | <b>R</b>         | <b>R</b>         | <b>R</b>         |
|  | Balance at the beginning of the year                         | 8 001 318        | 5 350 154        | 5 350 154        |
|  | Increase/(decrease) in revaluation of property: (Kliprivier) | 2 044 518        | (1 010 758)      | -                |
|  | Increase in revaluation of property: (Meyerton 1)            | -                | 3 661 922        | -                |
|  | Transfer from revaluation reserve to accumulated loss        | (258 002)        | -                | -                |
|  |  | <b>9 787 834</b> | <b>8 001 318</b> | <b>5 350 154</b> |

|            |   | GROUP             |                   |                    |
|------------|---|-------------------|-------------------|--------------------|
|            |   | 2015              | 2014              | 2013               |
|            |   | R                 | R                 | R                  |
| <b>17.</b> | <b>OTHER FINANCIAL LIABILITIES</b>  |                   |                   |                    |
|            | <b>Held at amortised cost</b>   |                   |                   |                    |
|            | <b>Instalment sale agreements</b>   | 38 231            | 1 677 787         | 4 185 459          |
|            | Instalment sale agreements repayable over two to nine months (2014: 1 to 36 months), (2013: 1 to 44 months) at effective interest rates ranging from prime to prime plus 0.50% per annum. (2014: prime to prime plus 2.00%) (2013: prime to prime plus 2.35%), prime being 9.25% at year end (2014: 9.00%) (2013: 8.50%). These loans are secured by assets with a carrying amount of R271 478 (2014: R3 380 044)(2013: R6 112 158) and are repayable in monthly instalments of R11 589 (2014: R186 885), (2013: R344 681). |                   |                   |                    |
|            | <b>Loans secured by mortgage bond:</b>  |                   |                   |                    |
|            | <b>Absa Bank Limited</b>  | 6 824 732         | 7 045 076         | 7 176 882          |
|            | The mortgage bond over property as detailed in note 2. Interest is payable at the prime overdraft lending rate less 0.50% per annum, prime being 9.25% (2014: 9.00%), (2013: 8.50%) at year end The loan is repayable in monthly instalments of R25 000 which commenced 1 May 2013 with annual escalations resulting in the loan being fully repaid after 10 years  |                   |                   |                    |
|            | <b>Employee funds in share incentive scheme trust</b>   |                   |                   |                    |
|            | These unsecured funds did not bear interest. The loan related to a transaction in 2007 with the share trust that should have been eliminated on consolidation, but was not due to immateriality thereof. In the current year, the liability has been derecognised   | –                 | 284 200           | 284 200            |
|            | <b>Mayfair Speculators Proprietary Limited – consolidated facility</b>  | 52 526 367        | 42 443 396        | 69 543 081         |
|            | This loan bears interest at the prime overdraft lending rate plus 1% per annum, prime being 9.25% (2014: 9.00%), (2013: 8.50%). The loan requires 120.00% coverage of the qualifying debtors of a subsidiary in relation to the loan amount. Qualifying debtors of a subsidiary company include the intergroup loan claim, are insufficient to cover 120.00% of the loan, inventory acquired from such date will also be held as security. The facility is repayable on 31 July 2016  |                   |                   |                    |
|            | <b>Mayfair Speculators Proprietary Limited – general facility</b>   | –                 | –                 | 32 308 964         |
|            | This unsecured loan bears interest at 20.00% per annum at year end and is repayable on 1 July 2014. This loan was subordinated in favour of creditors until the date of recapitalisation of the group by way of a R100 million claw-back offer, which was 3 September 2012. The repayment terms were renegotiated during the year.  |                   |                   |                    |
|            | <b>Mayfair Speculators Proprietary Limited – debtors facility</b>   | –                 | –                 | 30 083 548         |
|            | This loan bears interest at the prime overdraft lending rate plus 0.5% per annum, prime being 8.5%. The loan requires 100.00% coverage of the qualifying debtors of a subsidiary in relation to the loan amount. Qualifying debtors of a subsidiary company include the intergroup loan claim held. The facility is repayable on 1 July 2014. The repayment terms were renegotiated during the year.  |                   |                   |                    |
|            |   | <b>59 389 330</b> | <b>51 450 459</b> | <b>143 582 134</b> |
|            | <b>Non-current liabilities</b>  |                   |                   |                    |
|            | At amortised cost   | 58 979 099        | 50 276 894        | 134 889 975        |
|            | <b>Current liabilities</b>  |                   |                   |                    |
|            | At amortised cost   | 410 231           | 1 173 565         | 8 692 159          |
|            |   | <b>59 389 330</b> | <b>51 450 459</b> | <b>143 582 134</b> |

|            |  | GROUP             |                   |                   |
|------------|--|-------------------|-------------------|-------------------|
|            |  | 2015              | 2014              | 2013              |
|            |  | R                 | R                 | R                 |
| <b>18.</b> | <b>INCOME RECEIVED IN ADVANCE</b>  |                   |                   |                   |
|            | Income received in advance relates to upfront payments received from customers |                   |                   |                   |
|            | <b>Income received in advance</b>  | <b>13 001 285</b> | -                 | -                 |
| <b>19.</b> | <b>TRADE AND OTHER PAYABLES</b>  |                   |                   |                   |
|            | Trade payables   | 47 653 970        | 40 653 068        | 25 649 278        |
|            | Amounts received in advance  | -                 | -                 | 29 932 038        |
|            | Value-added taxation   | 5 974 166         | 375 949           | 6 547 375         |
|            | Sundry creditor  | 1 692 013         | 2 583 684         | -                 |
|            | Accrued leave pay  | 978 539           | 1 038 902         | 866 219           |
|            | Accrued bonuses  | 575 052           | 702 910           | 434 794           |
|            | Accrued expenses   | 2 494 954         | 8 349 397         | 3 210 474         |
|            | Accrual for goods in transit   | -                 | -                 | 3 596 155         |
|            |  | <b>59 368 694</b> | <b>53 703 910</b> | <b>70 236 333</b> |

The movement in the accrual for bonuses, leave pay and discount received is included under trade and other payables and amounted to a decrease of R321 891 (2014: R130 077 increase)

#### Currencies

The carrying amounts of trade and other payables are denominated in the following currencies:

|                |                   |                   |                   |
|----------------|-------------------|-------------------|-------------------|
| Rand           | 53 082 507        | 53 180 691        | 59 905 618        |
| US Dollar      | -                 | -                 | 4 834 913         |
| Euro           | -                 | -                 | 47 873            |
| GB Pound       | -                 | -                 | 22 898            |
| Zambian Kwacha | 6 286 187         | 523 214           | 5 425 031         |
|                | <b>59 368 694</b> | <b>53 703 905</b> | <b>70 236 333</b> |

#### 20. FINANCIAL LIABILITIES BY CATEGORY

|  | Financial liabilities at cost<br>R | Non-financial instruments<br>R | Total<br>R         |
|--|------------------------------------|--------------------------------|--------------------|
| The accounting policies for financial instruments have been applied to the line items below: |                                    |                                |                    |
| <b>Group – 2015</b>  |                                    |                                |                    |
| Non-current other financial liabilities  | 58 979 099                         | -                              | 58 979 099         |
| Current other financial liabilities  | 410 231                            | -                              | 410 231            |
| Trade and other payables   | 53 394 528                         | 5 974 166                      | 59 368 694         |
| Bank overdraft   | 36 866                             | -                              | 36 866             |
|  | <b>112 820 724</b>                 | <b>5 974 166</b>               | 118 794 890        |
| <b>Group – 2014</b>  |                                    |                                |                    |
| Non-current other financial liabilities  | 50 276 894                         | -                              | 50 276 894         |
| Current other financial liabilities  | 1 173 565                          | -                              | 1 173 565          |
| Trade and other payables   | 53 327 956                         | 375 949                        | 53 703 905         |
| Bank overdraft   | 57 529                             | -                              | 57 529             |
|  | <b>104 835 944</b>                 | <b>375 949</b>                 | <b>105 211 893</b> |
| <b>Group – 2013</b>  |                                    |                                |                    |
| Other financial liabilities  | 143 582 134                        | -                              | 143 582 134        |
| Trade and other payables   | 33 756 920                         | -                              | 33 756 920         |
| Bank overdraft   | 92 839                             | -                              | 92 839             |
|  | <b>177 431 893</b>                 | -                              | <b>177 431 893</b> |

|            |  | <b>GROUP</b>       |                    |                    |
|------------|--|--------------------|--------------------|--------------------|
|            |  | <b>2015</b>        | <b>2014</b>        | <b>2013</b>        |
|            |  | <b>R</b>           | <b>R</b>           | <b>R</b>           |
| <b>21.</b> | <b>REVENUE</b>   |                    |                    |                    |
|            | Sale of goods  | 296 959 144        | 253 565 393        | 142 514 336        |
|            | Rendering of services  | –                  | 3 097 041          | 8 561 811          |
|            | Construction contracts   | 49 038 704         | 8 290 633          | 25 664 198         |
|            | Discount allowed   | –                  |                    | (1 490 994)        |
|            |  | <b>345 997 848</b> | <b>264 953 067</b> | <b>175 249 351</b> |
| <b>22.</b> | <b>COST OF SALES</b>   |                    |                    |                    |
|            | <b>Sale of goods</b>   |                    |                    |                    |
|            | Cost of goods sold   | 264 429 596        | 200 149 412        | 133 558 364        |
|            | Cost of services rendered  | –                  | 2 942 189          |                    |
|            | Transport costs  | 11 931 300         | 5 140 291          | 4 512 688          |
|            | Employee costs   | 11 337 715         | 871 697            | 7 755 451          |
|            | Depreciation   | 3 800 850          | 1 335 450          | 2 964 719          |
|            | Write-down of inventories  | 227 785            | 3 925 494          |                    |
|            | Loss on disposal of plant and equipment  |                    |                    | 821 878            |
|            |  | <b>291 727 246</b> | <b>214 364 533</b> | <b>149 613 100</b> |
| <b>23.</b> | <b>OPERATING LOSS</b>  |                    |                    |                    |
|            | Operating loss for the year is stated after accounting for the following:                  |                    |                    |                    |
|            | <b>Operating lease charges</b>   |                    |                    |                    |
|            | Premises   | 1 320 599          | 838 104            | 686 114            |
|            | Equipment  | 1 653 478          | 1 735 349          | 1 851 209          |
|            |  | <b>2 974 077</b>   | <b>2 573 453</b>   | <b>2 537 323</b>   |
|            | (Profit)/loss on sale of property, plant and equipment                                     | (826 209)          | 167 091            | 676 408            |
|            | (Profit)/loss on sale of property, plant and equipment recognised as part of cost of sales | –                  | –                  | 821 878            |
|            | Profit on sale of subsidiary   | (1 642 731)        | –                  | –                  |
|            | Insurance reimbursement  | –                  | (150 022)          | –                  |
|            | Inventory provision (reversed)/recognised  | (1 236 808)        | 4 062              | –                  |
|            | Impairment of loans to associates  | –                  | –                  | 179 925            |
|            | Reversal of impairments of loans to associates   | –                  | –                  | (852 000)          |
|            | Impairment of trade and other receivables  | 209 490            | 2 958 276          | 3 883 303          |
|            | Movement in provision for doubtful debts   | 569 601            | (1 985 810)        | 61 497             |
|            | Impairment of other receivables  | 1 528 506          | –                  | –                  |
|            | Profit on exchange differences   | (2 384 377)        | (1 456 345)        | (2 124 104)        |
|            | Amortisation of intangible assets  | 55 762             | 53 152             | 47 920             |
|            | Depreciation of property, plant and equipment recognised in operating expenditure          | 5 832 979          | 3 968 273          | 2 439 976          |
|            | Depreciation of property, plant and equipment recognised as part of cost to sales          | 3 800 850          | 1 335 450          | 2 964 719          |
|            | Employee costs recognised in operating expenditure   | 29 416 177         | 34 401 190         | 26 668 462         |
|            | Employee costs relating to termination benefits  | 2 640 311          | –                  | –                  |
|            | Employee costs recognised in cost to sales   | 11 337 715         | 871 697            | 7 755 451          |
|            | Defined contribution fund contributions  | 3 856 636          | 3 808 351          | 3 993 113          |
|            | Consulting and professional fees   | 1 679 110          | 3 555 288          | 3 570 519          |
|            | Legal fees   | 431 360            | 472 838            | 654 412            |
|            | Legal settlement   | 2 500 000          | –                  | –                  |
|            |  | <b>57 768 372</b>  | <b>48 003 491</b>  | <b>50 741 479</b>  |

|            |  | GROUP            |                   |                   |
|------------|--|------------------|-------------------|-------------------|
|            |  | 2015             | 2014              | 2013              |
|            |  | R                | R                 | R                 |
| <b>24.</b> | <b>INVESTMENT INCOME</b>                               |                  |                   |                   |
|            | <b>Interest in revenue</b>                             |                  |                   |                   |
|            | Bank   | 144 628          | 417 901           | 940 718           |
|            | Other interest   | 18 472           | 60 391            | 2 776             |
|            | Associates   | –                | –                 | 225 661           |
|            |  | <b>163 100</b>   | <b>478 292</b>    | <b>1 169 155</b>  |
|            | <b>Investment income per financial asset category</b>  |                  |                   |                   |
|            | Loans and receivables                                  | 144 628          | 417 901           | 940 718           |
|            | Available-for-sale financial assets                    | 18 472           | 60 391            | 228 437           |
|            |  | <b>163 100</b>   | <b>478 292</b>    | <b>1 169 155</b>  |
| <b>25.</b> | <b>OTHER INCOME</b>                                    |                  |                   |                   |
|            | Profit on foreign exchange differences                 | 2 384 377        | 1 459 345         | –                 |
|            | Reversal of rebate provision                           | 908 818          | –                 | –                 |
|            | Profit on disposal of assets                           | 826 509          | –                 | –                 |
|            | Profit on sale of subsidiary                           | 1 642 731        | –                 | –                 |
|            | Other income   | 320 233          | 761 810           | –                 |
|            |  | <b>6 082 668</b> | <b>2 221 155</b>  | <b>–</b>          |
| <b>26.</b> | <b>FINANCE COSTS</b>                                   |                  |                   |                   |
|            | Other financial liabilities                            | 4 946 170        | 16 122 573        | 13 505 202        |
|            | Trade and other payables                               | 92 016           | 345 752           | 251 258           |
|            | Bank   | 620 304          | 585 935           | 582 706           |
|            | Instalment sale agreements                             | 151 030          | 122 755           | 1 086 658         |
|            | Other interest paid                                    | 19 121           | 56 932            | 377 481           |
|            |  | <b>5 828 641</b> | <b>17 233 947</b> | <b>15 803 305</b> |
|            | Finance costs per financial instrument category:       |                  |                   |                   |
|            | Amortised cost financial liabilities                   | 5 809 520        | 17 177 015        | 15 425 824        |
|            | Finance costs on non-financial instruments             | 19 121           | 56 932            |                   |
|            |  | <b>5 828 641</b> | <b>17 233 947</b> | <b>15 425 824</b> |
|            | <b>Reconciliation of cash flow finance costs</b>       |                  |                   |                   |
|            | Finance costs as per statement of comprehensive income | 5 809 520        | 17 233 947        |                   |
|            | Interest accrued but not paid                          | (4 949 092)      | (16 367 603)      |                   |
|            | <b>Finance costs as per statement of cash flows</b>    | <b>860 428</b>   | <b>866 344</b>    | <b>2 847 303</b>  |

|            |   | GROUP          |                    |                  |
|------------|---|----------------|--------------------|------------------|
|            |   | 2015           | 2014               | 2013             |
|            |   | R              | R                  | R                |
| <b>27.</b> | <b>TAXATION</b>   |                |                    |                  |
|            | <b>Major components of the tax expense/(income)</b>                                       |                |                    |                  |
|            | Local income tax –current period  | 200 227        | 64 076             | 305 301          |
|            | Foreign withholding tax – current period  | 111 520        | (866 127)          | 1 145 420        |
|            |   | <b>311 747</b> | <b>(802 051)</b>   | <b>1 450 721</b> |
|            | <b>Deferred</b>   |                |                    |                  |
|            | Originating and reversing temporary differences   | (258 368)      | (434 133)          | 921 597          |
|            |   | <b>53 379</b>  | <b>(1 236 184)</b> | <b>2 372 318</b> |
|            | <b>Deferred tax movements</b>   |                |                    |                  |
|            | Deferred tax recognised in profit or loss   | (258 368)      | (434 133)          |                  |
|            | Deferred tax recognised in other comprehensive income                                     | 469 176        | 605 062            |                  |
|            | Deferred tax movement for the year  | <b>210 808</b> | <b>170 929</b>     | –                |
|            | <b>Reconciliation of tax paid as per cash flow statement</b>                              |                |                    |                  |
|            | Opening balance   | 112 303        | (1 293 397)        | 817 805          |
|            | Income tax recognised for the year in profit or loss                                      | (200 228)      | (64 076)           | –                |
|            | Current tax for the year relating to prior periods  |                |                    | (305 301)        |
|            | Withholding tax-prior year reversal   | –              | 1 145 420          | (1 145 420)      |
|            | Balance at the end of the year  | 87 925,00      | (112 303)          | 1 291 818        |
|            | <b>Tax paid</b>   | –              | (324 356,00)       | 658 902,00       |
|            | <b>Reconciliation of the tax expense</b>  | %              | %                  | %                |
|            | Reconciliation between statutory tax rate and average effective interest rate             |                |                    |                  |
|            | Statutory tax rate  | 28.00          | 28.00              | 28.00            |
|            | Exempt income   | –              | 1.28               | 1.31             |
|            | Assessed losses and/or other temporary differences not recognised as a deferred tax asset | (35.08)        | (25.43)            |                  |
|            | Disallowable expenditure  | (0.47)         | (2.24)             | (1.36)           |
|            | Permanent difference on building – deferred tax provided at 18.65%                        | (1.57)         | –                  |                  |
|            | Capital gains tax   | –              | (0.10)             | (0.02)           |
|            | Foreign withholding tax – Botswana (2014: Zambia)   | (1.16)         | 3.55               | (2.84)           |
|            | Tax period differs from financial period in Zambian operations                            | 1.72           | –                  |                  |
|            | Tax relating to previous years  |                |                    | (2.01)           |
|            | Tax rate differs from tax rate in Zambia  | (0.42)         | –                  |                  |
|            | Tax losses and/or other temporary differences not recognised as a deferred tax asset      |                |                    | (28.96)          |
|            | Utilisation of impairment provision against loan  | 8.42           | –                  |                  |
|            |   | <b>(0.56)</b>  | <b>5.06</b>        | <b>(5.88)</b>    |

Tax losses available to the group for set-off against future taxable income amount to R250 860 618 (2014: R258 437 950). Tax losses available to the company for set-off against future taxable income amount to R927 993 (2014: R1 369 579).

|            |  | <b>GROUP</b>      |                     |                     |
|------------|--|-------------------|---------------------|---------------------|
|            |  | <b>2015</b>       | <b>2014</b>         | <b>2013</b>         |
|            |  | <b>R</b>          | <b>R</b>            | <b>R</b>            |
| <b>28.</b> | <b>AUDITORS' REMUNERATION</b>                                |                   |                     |                     |
|            | Fees   | 1 123 299         | 1 349 489           | 1 349 489           |
|            |  | <b>Gross</b>      | <b>Tax</b>          | <b>Net</b>          |
|            |  | <b>R</b>          | <b>R</b>            | <b>R</b>            |
| <b>29.</b> | <b>OTHER COMPREHENSIVE INCOME FOR THE YEAR NET OF TAX</b>    |                   |                     |                     |
|            | <b>Components of other comprehensive income</b>              |                   |                     |                     |
|            | <b>Group – 2015</b>  |                   |                     |                     |
|            | <b>Gains and losses on property revaluation (Kliprivier)</b> |                   |                     |                     |
|            | Gain on property valuation (Kliprivier)                      | 2 513 694         | (469 176)           | 2 044 518           |
|            | <b>Components of other comprehensive income</b>              |                   |                     |                     |
|            | <b>Group – 2014</b>  |                   |                     |                     |
|            | <b>Gains and losses on property revaluation</b>              |                   |                     |                     |
|            | Gain on property valuation (Meyerton 1)                      | 4 498 676         | (836 754)           | 3 661 922           |
|            | Gain on property valuation (Kliprivier)                      | (1 242 450)       | 231 692             | (1 010 758)         |
|            |  | <b>3 256 226</b>  | <b>(605 062)</b>    | <b>2 651 164</b>    |
|            |  |                   |                     |                     |
|            |  | <b>GROUP</b>      |                     |                     |
|            |  | <b>2015</b>       | <b>2014</b>         | <b>2013</b>         |
|            |  | <b>R</b>          | <b>R</b>            | <b>R</b>            |
| <b>30.</b> | <b>CASH GENERATED FROM/(USED IN) OPERATIONS</b>              |                   |                     |                     |
|            | Loss before taxation   | (9 612 676)       | (24 401 030)        | (40 347 775)        |
|            | Adjustments for:   |                   |                     |                     |
|            | (Profit)/loss on sale of property, plant and equipment       | (826 209)         | 167 091             | 1 497 914           |
|            | Movement in FCTR   |                   |                     | (5 106)             |
|            | Interest income  | (163 100)         | (478 292)           | (1 169 155)         |
|            | Finance costs  | 5 828 641         | 17 233 947          | 15 803 305          |
|            | Reversal of impairment on loan to associate                  | –                 | –                   | (693 593)           |
|            | Movements in operating lease liability                       | (10 959)          | 10 959              | (100 943)           |
|            | Unrealised forex (profit)/loss                               | –                 | –                   | 310 280             |
|            | Impairment of other receivable                               | 1 528 506         | –                   | –                   |
|            | Profit on sale of subsidiary                                 | (1 642 731)       | –                   | –                   |
|            | Impairment loss on trade receivables: bad debts              | 209 490           | 2 958 276           | 3 883 303           |
|            | Write-down of inventory                                      | 227 786           | 3 925 494           | (26 149)            |
|            | Depreciation   | 9 633 829         | 5 303 723           | 5 452 615           |
|            | Amortisation   | 55 762            | 53 152              | –                   |
|            | Movement in provision for credit notes                       | 1 416 416         | (2 155 770)         | 1 705 273           |
|            | Expenses paid for via loan accounts                          | 133 805           | 136 800             | 136 800             |
|            | Movement in provision for slow moving stock                  | –                 | –                   | (197 813)           |
|            | Movement in accrual for bonuses, leave and discount received | (321 891)         | 130 077             | –                   |
|            | Movement in provision for discount allowed                   | 726 631           | (1 302 260)         | –                   |
|            | Movement in provision for doubtful debts                     | 569 601           | (1 985 810)         | 47 928              |
|            | <b>Changes in working capital:</b>                           |                   |                     |                     |
|            | Inventories  | 13 014 294        | (6 511 255)         | (47 696 826)        |
|            | Trade and other receivables                                  | (8 307 552)       | 2 967 482           | 34 647 522          |
|            | Prepayments  | (3 416 525)       | 8 943 091           | (7 750 032)         |
|            | Trade and other payables                                     | 5 986 681         | 13 269 536          | (45 359 531)        |
|            | Construction contracts and receivables                       |                   |                     | 15 193 417          |
|            | Income received in advance                                   | 13 001 285        | (29 932 038)        |                     |
|            |  | <b>28 031 084</b> | <b>(11 666 827)</b> | <b>(64 668 566)</b> |



|            |   | GROUP               |      |      |
|------------|---|---------------------|------|------|
|            |   | 2015                | 2014 | 2013 |
|            |   | R                   | R    | R    |
| <b>31.</b> | <b>SALE OF SUBSIDIARY</b>                   |                     |      |      |
|            | <b>Carrying value of assets disposed of</b> |                     |      |      |
|            | Property, plant and equipment               | 1 071 194.00        |      |      |
|            | Share capital                               | 75.00               |      |      |
|            | Total net assets sold                       | 1 071 269.00        |      |      |
|            | Profit on disposal                          | 1 642 731.00        |      |      |
|            | <b>Proceeds from sale</b>                   | <b>2 714 000.00</b> |      |      |
|            | <b>Consideration received</b>               |                     |      |      |
|            | Proceeds from sale                          | 2 714 000.00        |      |      |
|            | Other receivable                            | (2 600 000.00)      |      |      |
|            | <b>Cash inflow</b>                          | <b>114 000.00</b>   |      |      |

The sale of subsidiary relates to the groups disposal of its investment in Xylo Pipe Proprietary Limited.

The receivable will be settled as agreed per contract in terms of which the total amount must be settled by 31 July 2016. The profit on the disposal of the subsidiary has been included in other income in the statement of comprehensive income, and the sundry debtor has been included in other receivables. R1 528 506 of the amount receivable has been provided for as impaired due to defaults by the debtor.

|            |   | GROUP |                  |               |
|------------|---|-------|------------------|---------------|
|            |   | 2015  | 2014             | 2013          |
|            |   | R     | R                | R             |
| <b>32.</b> | <b>COMMITMENTS</b>                            |       |                  |               |
|            | <b>Operating leases – as lessee (expense)</b> |       |                  |               |
|            | <b>Minimum lease payments due</b>             |       |                  |               |
|            | within one year                               | –     | 719 960          | 27 600        |
|            | in second to fifth year inclusive             | –     | 1 487 042        | –             |
|            |   | –     | <b>2 207 002</b> | <b>27 600</b> |

Operating lease payments represent rentals payable by the group for the Durban office premises which is no longer operational and therefore the lease has ceased. Leases are negotiated for an average term of three years. No contingent rent is payable.

### 33. CONTINGENCIES

No contingent liabilities existed at year end.

#### Guarantees issued by banks in favour of third parties

|                    |         |         |         |
|--------------------|---------|---------|---------|
| Customs and Excise | 352 500 | 352 500 | 352 500 |
|--------------------|---------|---------|---------|

### 34. RELATED PARTIES

#### Relationships

|  |   |
|--|---|
| Shareholder with control   | Doculate Investments Proprietary Limited ("Doculate") <sup>^</sup>  |
| Shareholder with significant influence                                 | Mayfair Speculators Proprietary Limited ("Mayfair") <sup>*</sup>    |
| Subsidiaries   | The RARE Group Proprietary Limited                                  |
| RARE Construction Zambia Limited                                       |   |
| RARE Tech Proprietary Limited  |   |
| Isici Trading and Investments Proprietary Limited                      |   |
| Xylo Pipe Proprietary Limited (disposed of during the year)            |   |
| RARE Botswana  |   |
| RARE Capital Proprietary Limited                                       |   |
| The RARE Group Employee Trust (dormant)                                |   |
| Associate  | Zeta Training Solutions Proprietary Limited                         |
| Company controlled by a close family member of key management – T Dean | Ubuntu Plastics Proprietary Limited                                 |
| Non-executive directors  | T Siyolo <sup>^</sup><br>MT Lategan<br>H Odendaal<br>SJDT Potgieter |
| Executive directors  | A Tasdhary<br>W van Coller<br>R Viljoen                             |
| Prescribed officers (members of key management)                        | T Dean<br>H Roets<br>C von Graszouw                                 |

<sup>\*</sup> *Mayfair acquired 29,68% of the issued shares of RARE Holdings Limited on 29 June 2015, in an off-market transaction. Therefore Mayfair was not a related party during the 2014 financial year. Comparative figures included for complete overview.*

<sup>^</sup> *T Siyolo is a director and shareholder of Doculate*

#### Subsidiaries

During the year, in the ordinary course of business, certain companies in the group entered into various transactions with other related parties that form part of the group. These transactions occurred under terms and conditions no more favourable to those entered into with third parties. These intragroup transactions have been eliminated on consolidation.

#### Directors

The remuneration for non-executive and executive directors of the holding company paid during the year by subsidiaries within the group has been disclosed in note 35. No loans have been made to directors (2014: Rnil).

No directors had a material interest in any contracts with any group company during the year under review (2014: no material interest in any contracts).

#### Key management (prescribed officers)

Key management personnel are those having authority and responsibility for planning, directing and controlling activities, directly or indirectly, including any director of that entity. No key management personnel had a material interest in any contract of significance with any group company during the year under review (2014: no material interest in any contracts). The remuneration of key management, including prescribed officers, of the group has been disclosed in note 35.

|   | GROUP             |                   |                  |
|---|-------------------|-------------------|------------------|
|   | 2015              | 2014              | 2013             |
|   | R                 | R                 | R                |
| <b>Related party balances</b>   |                   |                   |                  |
| <b>Investments in related party</b>   |                   |                   |                  |
| Subsidiary – The Rare Group Proprietary Limited   | –                 | –                 | –                |
| <b>Loan from related party</b>  |                   |                   |                  |
| Shareholder with significant influence – Mayfair  | 52 526 367        | 42 443 396        | –                |
| Subsidiary – The Rare Group employee trust (dormant)*   | –                 | 284 200           | –                |
|   | <b>52 526 367</b> | <b>42 727 596</b> | <b>–</b>         |
| * In the current year an amount that was previously not eliminated on consolidation of the share trust was derecognised |                   |                   |                  |
| <b>Related parties included in trade receivables/(trade payables)</b>   |                   |                   |                  |
| Company controlled by a close family member of key management – Ubuntu  | 69 992            | –                 | –                |
| Company controlled by a close family member of key management – Ubuntu  | (85 373)          | –                 | –                |
|   | <b>(15 381)</b>   | <b>–</b>          | <b>–</b>         |
| <b>Related party transactions</b>   |                   |                   |                  |
| <b>Interest paid to related party</b>   |                   |                   |                  |
| Shareholder with significant influence – Mayfair  | 4 946 170         | 16 122 573        | –                |
| Associate   | –                 | –                 | (225 661)        |
| <b>Management fees received from related party</b>  |                   |                   |                  |
| Subsidiary – The Rare Group Proprietary Limited   | –                 | –                 | –                |
| <b>Underwriting fees paid to related party</b>  |                   |                   |                  |
| Shareholder with control – Doculate   | 1 000 000         | 1 000 000         | –                |
| <b>Reversal of impairment of loan to related party</b>  |                   |                   |                  |
| Subsidiary – The Rare Group Proprietary Limited   | –                 | –                 | –                |
| Associate   | –                 | –                 | 179 925          |
| Associates  | –                 | –                 | (852 000)        |
|   | <b>–</b>          | <b>–</b>          | <b>(672 075)</b> |
| <b>Impairment of investment in related party</b>  |                   |                   |                  |
| Subsidiary – The Rare Group Proprietary Limited   | –                 | –                 | –                |
| <b>Purchases of inventory from Related Party</b>  |                   |                   |                  |
| Company controlled by a close family member of key management – Ubuntu  | 664 928           | –                 | –                |
| <b>Disposal of machinery to related party</b>   |                   |                   |                  |
| Company controlled by a close family member of key management – Ubuntu  | (650 000)         | –                 | –                |
| ^ Profit on sale of machinery amounted to R493 946  |                   |                   |                  |
| <b>Sale of goods to related party</b>   |                   |                   |                  |
| Company controlled by a close family member of key management – Ubuntu  | (653 734)         | –                 | –                |
| <b>Issue of share capital to related party</b>  |                   |                   |                  |
| Shareholder with control – Doculate   | –                 | (150 000)         | –                |
| <b>Compensation to directors and other key management</b>   |                   |                   |                  |
| Directors   | 4 359 508         | 3 997 770         | 2 452 245        |
| Key management  | 4 223 180         | 3 480 000         | 3 135 194        |
|   | <b>8 582 688</b>  | <b>7 477 770</b>  | <b>5 587 439</b> |

|   | Emoluments<br>R  | Other<br>benefits<br>R | Allowances<br>R | Total<br>R       |
|---|------------------|------------------------|-----------------|------------------|
| <b>35. DIRECTORS' AND PRESCRIBED OFFICER'S EMOLUMENTS</b> |                  |                        |                 |                  |
| <b>Executive</b>  |                  |                        |                 |                  |
| <b>2015</b>   |                  |                        |                 |                  |
| W van Coller  | 1 763 749        | –                      | 18 997          | 1 782 746        |
| A Tasdhary  | 1 154 600        | 60 000                 | 12 464          | 1 227 064        |
| R Viljoen   | 1 345 755        | –                      | 3 943           | 1 349 698        |
|   | <b>4 264 104</b> | <b>60 000</b>          | <b>35 404</b>   | <b>4 359 508</b> |
| <b>Executive</b>  |                  |                        |                 |                  |
| <b>2014</b>   |                  |                        |                 |                  |
| W van Coller  | 1 629 233        | –                      | 20 767          | 1 650 000        |
| A Tasdhary  | 1 129 920        | –                      | –               | 1 129 920        |
| R Viljoen   | 1 188 774        | –                      | 11 226          | 1 200 000        |
|   | <b>3 947 927</b> | <b>–</b>               | <b>31 993</b>   | <b>3 979 920</b> |
| <b>Executive</b>  |                  |                        |                 |                  |
| <b>2013</b>   |                  |                        |                 |                  |
| W van Coller  | 1 461 036        | 38 964                 | –               | 1 500 000        |
| R Viljoen   | 841 702          | 8 378                  | –               | 850 080          |
|   | <b>2 302 738</b> | <b>47 342</b>          | <b>–</b>        | <b>2 350 080</b> |

\* Other benefits comprise travel allowance, provident fund and medical benefits

#### Securities issued

No shares were issued to executive or non-executive directors during the current and previous years.

#### Service contracts

Executive directors are subject to written employment agreements. The employment agreements regulate duties, remuneration, allowances, restraints, leave and notice periods of these executives.

#### Non-executive

##### 2015

No emoluments were paid to non-executive directors in the current financial year.

|                                 | Emoluments<br>R  | Allowances<br>R | Bonus<br>R     | Total<br>R       |
|---------------------------------|------------------|-----------------|----------------|------------------|
| <b>Directors' fees</b>          |                  |                 |                |                  |
| <b>2014</b>                     |                  |                 |                |                  |
| P du Plessis                    |                  |                 | <b>17 850</b>  | <b>17 850</b>    |
| <b>2013</b>                     |                  |                 |                |                  |
| P du Plessis                    |                  |                 | <b>102165</b>  | <b>102165</b>    |
| <b>Prescribed officers 2015</b> |                  |                 |                |                  |
| H Roets                         | 1 336 907        | –               | –              | 1 336 907,00     |
| T Dean                          | 1 544 649        | –               | –              | 1 544 649,00     |
| C von Graszouw                  | 1 201 669        | 10 699          | 129 256        | 1 341 624,00     |
|                                 | <b>4 083 225</b> | <b>10 699</b>   | <b>129 256</b> | <b>4 223 180</b> |
| <b>Prescribed officers 2014</b> |                  |                 |                |                  |
| H Roets                         | 1 260 000        | –               | –              | 1 260 000        |
| T Dean <sup>^</sup>             | 960 000          | –               | 120 000        | 1 080 000        |
| C von Graszouw                  | 1 086 568        | 53 432          | –              | 1 140 000        |
|                                 | <b>3 306 568</b> | <b>53 432</b>   | <b>120 000</b> | <b>3 480 000</b> |

<sup>^</sup> Appointed during the previous financial year

|                                 |                  |                | Directors'<br>fees<br>R | Total<br>R       |
|---------------------------------|------------------|----------------|-------------------------|------------------|
| <b>Prescribed officers 2013</b> |                  |                |                         |                  |
| A Tasdhary                      | 744 434          | 45 000         | –                       | 789 434          |
| H Roets                         | 1 200 000        | –              | –                       | 1 200 000        |
| A Khaas <sup>^</sup>            | 192 398          | 23 894         | 30 425                  | 246 717          |
| C von Graszouw                  | 732 994          | 166 049        | –                       | 899 043          |
|                                 | <b>2 869 826</b> | <b>234 943</b> | <b>30 425</b>           | <b>3 135 194</b> |

<sup>^</sup> Resigned during the year

#### Securities issued

No shares were issued to individuals that hold a prescribed office or individuals related to them in the current and previous years.

#### Service contracts

Members of key management are subject to written employment agreements. The employment agreements regulate duties, remuneration, allowances, restraints, leave and notice periods of these executives.

### 36. RISK MANAGEMENT

The group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

#### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The group's approach to managing liquidity risk is to ensure that sufficient liquidity is available to meet its liabilities when due. The group ensures it has sufficient cash on demand or access to facilities to meet expected operational expenses for the next 12 months, including the servicing of financial obligations as further detailed in the directors' report.

The group's exposure to liquidity risk is a result of funds available to cover future commitments. The group manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared regularly, and there is strict control over working capital utilisation and adequate utilised borrowing facilities are monitored.

The table below categorises the group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

|                             | Less than<br>6 months<br>R | Between<br>6 months<br>and 1 year<br>R | Between<br>1 and 2 years<br>R | Between<br>2 and 3 years<br>R | Over<br>3 years<br>R | Total<br>R  |
|-----------------------------|----------------------------|--|-------------------------------|-------------------------------|----------------------|-------------|
| <b>Group</b>                |                            |  |                               |                               |                      |             |
| <b>At 30 June 2015</b>      |                            |  |                               |                               |                      |             |
| Trade and other payables    | 53 394 528                 | –                                      | –                             | –                             | –                    | 53 394 528  |
| Other financial liabilities | 455 177                    | 493 265                                | 53 567 248                    | 1 150 499                     | 6 493 735            | 62 159 924  |
| Bank overdraft              | 36 866                     | –                                      | –                             | –                             | –                    | 36 866      |
| <b>At 30 June 2014</b>      |                            |  |                               |                               |                      |             |
| Other financial liabilities | 1 003 179                  | 830 198                                | 44 242 016                    | 1 281 966                     | 7 602 070            | 54 959 429  |
| Trade and other payables    | 53 327 958                 | –                                      | –                             | –                             | –                    | 53 327 958  |
| Bank overdraft              | 57 529                     | –                                      | –                             | –                             | –                    | 57 529      |
| <b>At 30 June 2013</b>      |                            |  |                               |                               |                      |             |
| Trade and other payables    | 33 756 920                 | –                                      | –                             | –                             | –                    | 33 756 920  |
| Other financial liabilities | 1 953 660                  | 7 535 649                              | 144 526 854                   | 1 471 709                     | 8 595 749            | 164 083 621 |
| Bank overdraft              | 92 839                     | –                                      | –                             | –                             | –                    | 92 839      |

### Interest rate risk

The group's interest rate risk at statement of financial position date arises from cash and cash equivalents, bank overdraft and loans payable. The interest rate applicable to these financial instruments are variable rates in line with those currently available in the market, hence exposing the group to cash flow interest rate risk.

### Sensitivity analysis

The sensitivity analysis below presents the interest rate risks in accordance with IFRS 7. It has been determined based on the exposure to interest rates for financial instruments at the statement of financial position date and shows the effects of changes in market interest rates on interest payments, interest income and expenses. For variable rate liabilities, the analysis is prepared assuming the average liability was outstanding for the whole year. A 100 basis point increase or decrease represents management's assessment of the reasonable possible change in interest rate.

#### Group

During the year ended 30 June 2015, if interest rates on Rand-denominated borrowings had increased/decreased with 100 basis points with all other variables held constant, net loss for the year would have increased/decreased by R392 874 (2014: R617 373) only as a result of higher/lower interest expenses on variable borrowings, cash and cash equivalent, loans receivable and trade and other payables.

| Financial instrument                    | Current interest rate % | Due in less than a year R | Due in 1 to 2 years R | Due in 2 to 3 years R | Due in more than 3 years R |
|---|-------------------------|---------------------------|-----------------------|-----------------------|----------------------------|
| <b>Cash flow interest rate risk</b>     |                         |                           |                       |                       |                            |
| <b>Group</b>                            |                         |                           |                       |                       |                            |
| Instalments sale agreements             | 9.80                    | 38 231                    | –                     | –                     | –                          |
| Mortgage bond                           | 8.75                    | 372 000                   | 495 000               | 654 000               | 5 303 732                  |
| Mayfair Speculators Proprietary Limited | 10.25                   | –                         | 52 526 367            | –                     | –                          |
| Cash in current banking institutions    | 4.75                    | 24 129 200                | –                     | –                     | –                          |
| Overdraft facility                      | 9.25                    | 36 866                    | –                     | –                     | –                          |

### Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group.

Credit risk consists mainly of cash deposits, cash equivalents, loan receivables and trade debtors. The group only deposits cash with major banks with high quality credit standing and limits exposure to any one counter party.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers, on an ongoing basis. The utilisation of credit limits is regularly monitored.

All new counterparties are subject to credit verification with the Credit Guarantee Insurance Corporation of Africa Limited (CGIC) where allowable. Otherwise, if there is no credit verification rating, management assesses the credit quality of the counterparty, taking into account its financial position, past experience and other factors. Credit exposure is controlled by counterparty limits that are reviewed and approved by management with reference to limits imposed by CGIC. CGIC cannot be purchased for government organisations and municipalities.

### Foreign exchange risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar, Euro and the Zambian Kwacha. Foreign exchange risk arises from future commercial transactions.

The group does not hedge exchange fluctuations for customer supply contracts.

### Sensitivity analysis

For the purpose of the sensitivity analysis, the movement in the value of the Rand against major foreign currencies was assessed on an individual basis. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for the deemed change in foreign currency rates.

#### Group

At 30 June 2015, if the Rand had weakened/strengthened by 10,00% (2014: 10,00%) against the US Dollar with all other variables held constant, post-tax loss for the year would have been increased/decreased by R1 511 423 (2014: R492 972) mainly as a result of foreign exchange gains or losses on translation of US Dollar denominated trade receivables and cash balances.

At 30 June 2015, if the Rand had weakened/strengthened by 10,00% (2014: 10,00%) against the Euro with all other variables held constant, post-tax loss for the year would have been increased/decreased by R378 (2014: R589), mainly as a result of foreign exchange gains or losses on translation of Euro denominated trade receivables.

At 30 June 2015, if the Rand had weakened/strengthened by 10,00% (2014: 10,00%) against the Zambian Kwacha with all other variables held constant, post-tax loss for the year would have been increased/decreased by R12 908 (2014: R26 106) mainly as a result of foreign exchange gains or losses on translation of Zambian Kwacha denominated trade receivables and payables.

**Foreign currency exposure at the end of the reporting period**

The company does not hedge foreign exchange fluctuations. The following items were uncovered:

|   | GROUP       |           |             |
|---|-------------|-----------|-------------|
|   | 2015<br>R   | 2014<br>R | 2013<br>R   |
| <b>Current assets</b>   |             |           |             |
| Trade and other receivables USD1 067 841 (2014: USD583 416), (2013: USD0)       | 12 974 264  | 6 185 259 | –           |
| Trade and other receivables EUR385 (2014: EUR564), (2013: EUR6 574)             | 5 251       | 8 180     | 85 668      |
| Trade and other receivables ZMW31 420 (2014: ZMW379 892), (2013: ZMW70 675 463) | 51 214      | 642 020   | 13 954 759  |
| Cash and other cash equivalents USD659 894, (2014: USD62 295), (2013: USD4 345) | 8 017 717   | 661 568   | 43 373      |
| Cash and other cash equivalents ZMW20 264 (2014: ZMW49 533), (2013: ZMW48 144)  | 33 031      | 83 712    | 87 531      |
| <b>Current liabilities</b>  |             |           |             |
| Trade and other payables ZMW3 836 570 (2014: ZMW309 594), (2013: ZMW2 983 902)  | (6 286 187) | (523 214) | (5 323 872) |
| Trade and other payables USD483 129   |             |           | (4 834 913) |
| Trade and other payables EUR3 664   |             |           | (47 873)    |
| Trade and other payables GBP1 503   |             |           | (22 898)    |
| <b>Exchange rates used for conversion of foreign items were:</b>                |             |           |             |
| US Dollar (USD)   | 12.15       | 10.62     | 10.00       |
| Euro (EUR)  | 13.64       | 14.50     | 13.05       |
| Zambian Kwacha (ZMW)  | 1.63        | 1.69      | 1.82        |
| GB Pound (GBP)  |             |           | 15.24       |

**37. GOING CONCERN**

We draw attention to the fact that at 30 June 2015, the group had accumulated losses of R262 572 990.

Group annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The directors have considered the operational budget and cash flow forecasts for the ensuing year which are based on the current expected economic and market conditions, as well as the funding lines in place.

The directors believe that RARE Holdings Limited and its subsidiaries have adequate financial resources to continue as a going concern during the ensuing year. Accordingly, the directors have adopted the going concern basis in the preparation of the annual financial statements.

**38. FAIR VALUE INFORMATION**

Fair value hierarchy

The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the group can access at measurement date.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

|                    | GROUP      |            |            |
|--------------------|------------|------------|------------|
|                    | 2015<br>R  | 2014<br>R  | 2013<br>R  |
| <b>Level 3</b>     |            |            |            |
| Land and buildings | 58 957 021 | 50 200 000 | 32 800 000 |

### Land and buildings

Refer to note 2 for details with regards to the valuation techniques used to derive the fair values of the land and buildings.

The valuations of the group's properties, which are measured in terms of the revaluation model as provided for in IAS 16, are sensitive to changes in the capitalisation rates and market-related rentals used in the determination of the fair values of these properties.

During the 2015 financial year, had the capitalisation rate used in the determination of the fair values increased or decreased, the carrying amounts of these properties, as well as the gains or losses included in other comprehensive income, would have decreased or increased accordingly.

During the 2015 financial year, had the market-related rentals used in the determination of the fair values increased or decreased, the carrying amounts of these properties, as well as the gains or losses included in other comprehensive income, would have increased or decreased accordingly.

The effect on other comprehensive income of the revaluations of the properties for the year was R2 044 518 (2014: 2 651 164).

### Financial assets and liabilities

The carrying value of the financial assets and liabilities at amortised cost approximates the fair values thereof.

## 39. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted earnings per share at 30 June 2015 and 2014 was based on loss for the year attributable to ordinary shareholders of RARE Holdings Limited, divided by the weighted average number of ordinary shares issued. There are no instruments with a potential dilutive effect on earnings per share, therefore basic and diluted earnings per share are equal.

|   | GROUP             |                   |               |
|---|-------------------|-------------------|---------------|
|   | 2015<br>R         | 2014<br>R         | 2013<br>R     |
| Loss attributable to holders of RARE Holdings Limited               | (9 666 055)       | (23 164 846)      | (42 720 093)  |
| Weighted average number of shares in issue                          | 42 802 206        | 23 383 208        | 1 566 378 464 |
| Basic and diluted loss per share (cents)                            | (22.58)           | (99.07)           | (2.73)        |
| <b>Reconciliation of weighted average number of shares in issue</b> |                   |                   |               |
| Share Capital – opening balance                                     | 42 887 500        | 17 887 500        |               |
| Treasury shares opening balance                                     | (85 294)          | (3 770)           |               |
| Treasury shares acquired on 25 November 2013 (weighted)             | –                 | 48 467            |               |
| Share issue on 1 April 2014 (weighted)                              | –                 | 5 547 945         |               |
|   | <b>42 802 206</b> | <b>23 383 208</b> | <b>–</b>      |

## 40. HEADLINE AND DILUTED HEADLINE LOSS PER SHARE

The calculation of headline and diluted headline earnings per share is calculated on the basis of adjusted loss attributable to ordinary shareholders divided by the weighted number of ordinary shares in issue during 2015, 2014 and 2013 as follows:

|  | 2015        |              | 2014         |           | 2013          |              |
|--|-------------|--------------|--------------|-----------|---------------|--------------|
|  | Gross<br>R  | Net<br>R     | Gross<br>R   | Net<br>R  | Gross<br>R    | Net<br>R     |
| Loss attributable to holders of RARE Holdings Limited      | –           | (9 666 055)  | (23 164 846) |           |               | (42 720 093) |
| Impairment of loans receivable                             | –           | –            | –            | –         | –             | 179 925      |
| Reversal of loan impairment                                |             | –            | –            | –         | –             | (852 000)    |
| (Profit)/loss on disposal of property, plant and equipment | (826 209)   | (594 870)    | 167 091      | 120 305   | 1 498 286.00  | 1 078 766    |
| Insurance claims received from third parties               | –           |              | (150 022)    | (108 015) | –             | –            |
| Profit on sale of subsidiary                               | (1 642 731) | (1 231 581)  | –            | –         | –             | –            |
| Consisting of:   |             |              |              |           |               |              |
| Headline loss attributable to equity holders               | –           | (11 492 507) | (23 152 556) |           |               | (42 313 402) |
| Weighted average number of shares in issue                 | –           | 42 802 206   | 23 383 208   |           | 1 566 378 464 |              |
| Headline and diluted headline loss per share               | –           | (26.85)      | (99.01)      |           |               | 2.70         |



#### 41. CHANGES IN ACCOUNTING POLICIES

The group annual financial statements have been prepared in accordance with International Financial Reporting Standards, the JSE Listings Requirements and the Companies Act, No 71 of 2008, as amended, on a basis consistent with the prior year except for the adoption of the new or revised standards as set out in note 44.1 New standards and interpretations effective and adopted in the current year.

#### 42. SEGMENTAL INFORMATION

The group currently has five reportable segments, as described below, which are the group's strategic business units. Factors considered in identifying reportable segments are the nature of operations and also products supplied and services rendered. The strategic business units offer different products and services and are reviewed by management. For each of the strategic business units, the group's CEO reviews internal management reports on at least a monthly basis. The following summary describes the operations of each of the group's reportable segments for the year ended 30 June 2015:

- Trading segment – Supply and distribution of pipes, valves, fittings and associated commodities
- Water Treatment segment – Treatment of water
- Pipeline Services segment – Manufacturing and installation of plastic engineering projects and project working Sub Saharan Africa;
- RARE Plastics segment – Manufacturing of HDPE pipe; and
- Investment – Provides services to other segments.

|   | Trading<br>R     | Water<br>Treatment<br>R | Pipeline<br>Services<br>R | Plastics<br>R      | Investment<br>R    | Total<br>R         |
|---|------------------|-------------------------|---------------------------|--------------------|--------------------|--------------------|
| <b>2015</b>   |                  |                         |                           |                    |                    |                    |
| Total revenue   | 97 200 675       | –                       | 77 988 791                | 202 917 437        | 3 651 783          | 381 758 686        |
| Inter-segmental revenue                                     |                  | –                       | (25 531 431)              | (6 577 624)        | (3 651 783)        | (35 760 838)       |
| External revenue  | 97 200 675       | –                       | 52 457 360                | 196 339 813        | –                  | 345 997 848        |
| <b>Segment result before<br/>separately disclosed items</b> | 6 916 688        | (1 553 770)             | 7 212 663                 | (1 465 030)        | –                  | 11 110 551         |
| Investment income   | 80 866           | –                       | 75 800                    | –                  | 6 434              | 163 100            |
| Finance costs   | (92 016)         | –                       | (151 030)                 | –                  | (5 585 595)        | (5 828 641)        |
| Termination benefits  | (1 714 843)      | –                       | (925 468)                 | –                  | –                  | (2 640 311)        |
| Legal settlement costs                                      | (702 321)        | –                       | (379 030)                 | (1 418 649)        | –                  | (2 500 000)        |
| Inventory impairment  | (159 861)        | –                       | –                         | (67 924)           | –                  | (227 785)          |
| Depreciation and amortisation                               | (194 803)        | (427 882)               | (3 377 555)               | (4 075 657)        | (1 613 694)        | (9 689 591)        |
| Tax   | –                | –                       | (311 747)                 | –                  | 258 368            | (53 379)           |
| <b>Net profit/(loss) for the year</b>                       | <b>4 133 710</b> | <b>(1 981 652)</b>      | <b>2 143 633</b>          | <b>(7 027 260)</b> | <b>(6 934 487)</b> | <b>(9 666 056)</b> |

The performance of the various segments is measured based on segment gross profit less segment operating expenses directly attributable to each segment with an allocation of indirect operating expenses to the reporting segments based on turnover. All transactions between reportable segments are accounted for at arm's length so as to objectively evaluate the performance of the various segments.

#### Total assets

|  |            |           |            |             |            |             |
|--|------------|-----------|------------|-------------|------------|-------------|
| Total segment assets                   | 93 577 953 | 2 520 470 | 34 535 782 | 100 750 176 | 40 700 754 | 272 085 135 |
| Inter-segmental assets                 | –          | –         | –          | –           | –          | –           |
| Reportable segment<br>operating assets | 93 577 953 | 2 520 470 | 34 535 782 | 100 750 176 | 40 700 754 | 272 085 135 |

|   | Trading<br>R | Water<br>Treatment<br>R | Pipeline<br>Services<br>R | Plastics<br>R | Investment<br>R | Total<br>R  |
|---|--------------|-------------------------|---------------------------|---------------|-----------------|-------------|
| <b>Total liabilities</b>                    |              |                         |                           |               |                 |             |
| Total segment liabilities                   | 33 918 537   | –                       | 6 413 690                 | 32 176 674    | 62 026 084      | 134 534 985 |
| Inter-segmental liabilities                 | –            | –                       | –                         | –             | –               | –           |
| Reportable segment<br>operating liabilities | 33 918 537   | –                       | 6 413 690                 | 32 176 674    | 62 026 084      | 134 534 985 |
| Capital expenditure                         | 6 312 850    | –                       | 1 578 991                 | 4 337 100     | –               | 12 228 941  |

#### Geographical information

Revenue from external customers

#### Continued operations

|                                |  |  |  |  |  |                    |
|--------------------------------|--|--|--|--|--|--------------------|
| South Africa                   |  |  |  |  |  | 261 048 723        |
| Mozambique                     |  |  |  |  |  | 434 750            |
| Botswana                       |  |  |  |  |  | 6 370 289          |
| Zambia                         |  |  |  |  |  | 78 144 086         |
|                                |  |  |  |  |  | <b>345 997 848</b> |
| Location of non-current assets |  |  |  |  |  |                    |
| South Africa                   |  |  |  |  |  | 84 472 049         |
| Botswana                       |  |  |  |  |  | 34 343             |
| Zambia                         |  |  |  |  |  | 5 586 450          |
|                                |  |  |  |  |  | <b>90 092 842</b>  |

The results of the review by the JSE as part of the JSE proactive monitoring process, indicated that certain items included in profit or loss, that were not allocated to segment results in the 2014 annual financial statements, should have been allocated as all assets and liabilities of the group were allocated to segments. The restatement of the segment results as a result of this error has been presented in the segmental information for the 12 months ended 30 June 2014, as set out below:

|   | Trading<br>R     | Water<br>Treatment<br>R | Pipeline<br>Services<br>R | Plastics<br>R    | Investment<br>R     | Total<br>R          |
|---|------------------|-------------------------|---------------------------|------------------|---------------------|---------------------|
| <b>2014</b>   |                  |                         |                           |                  |                     |                     |
| Total revenue   | 186 777 006      | 1 600 803               | 33 774 329                | 57 207 838       | 3 969 900           | 283 329 876         |
| Inter-segmental revenue                                     | –                | –                       | –                         | (14 406 909)     | (3 969 900)         | (18 376 809)        |
| External revenue  | 186 777 006      | 1 600 803               | 33 774 329                | 42 800 929       | –                   | 264 953 067         |
| <b>Segment result before<br/>separately disclosed items</b> | 8 298 472        | (2 849 609)             | (3 781 041)               | 1 055 767        | (1 086 595)         | 1 636 994           |
| Investment income   |                  |                         |                           | –                | 478 292             | 478 292             |
| Finance costs   |                  |                         |                           | –                | (17 233 947)        | (17 233 947)        |
| Termination benefits  |                  |                         |                           | –                | –                   | –                   |
| Legal settlement costs                                      |                  |                         |                           | –                | –                   | –                   |
| Inventory impairments                                       | (3 549 251)      |                         |                           | (376 243)        |                     | (3 925 494)         |
| Depreciation and amortisation                               | (725 480)        | (424 156)               | (2 685 701)               | (1 521 538)      | –                   | (5 356 875)         |
| Tax   |                  |                         |                           |                  | 1 236 184           | 1 236 184           |
| <b>Net profit/(loss) for the year</b>                       | <b>4 023 741</b> | <b>(3 273 765)</b>      | <b>(6 466 742)</b>        | <b>(842 014)</b> | <b>(16 606 066)</b> | <b>(23 164 846)</b> |

|   | Trading<br>R      | Water<br>Treatment<br>R | Pipeline<br>Services<br>R | Plastics<br>R     | Investment<br>R   | Total<br>R         |
|---|-------------------|-------------------------|---------------------------|-------------------|-------------------|--------------------|
| <b>2014 (continued)</b>                         |                   |                         |                           |                   |                   |                    |
| Segment results previously reported             | 6 278 004         | (3 267 890)             | (6 583 341)               | (308 749)         | (1 086 594)       | (4 968 570)        |
| Allocation adjustments to:                      |                   |                         |                           |                   |                   | -                  |
| Other income                                    | 1 980 863         |                         | 240 292                   |                   |                   | 2 221 155          |
| Investment income                               |                   |                         |                           |                   | 478 291           | 478 291            |
| Inventory impairments                           | (3 549 251)       |                         |                           | (376 243)         |                   | (3 925 494)        |
| Movement in provision for doubtful debt         | 145 189           | (5 875)                 | 324 817                   | 1 521 680         | -                 | 1 985 811          |
| Bad debts                                       | (831 064)         |                         | (448 510)                 | (1 678 702)       | -                 | (2 958 276)        |
| Finance costs                                   |                   |                         |                           |                   | (17 233 974)      | (17 233 974)       |
| Income tax                                      |                   |                         |                           |                   | 1 236 184         | 1 236 184          |
| <b>Total assets</b>                             |                   |                         |                           |                   |                   |                    |
| Total segment assets                            | 99 526 263        | 2 963 221               | 28 908 169                | 83 835 398        | 38 601 564        | 253 834 615        |
| Inter-segmental assets                          | -                 | -                       | -                         | -                 | -                 | -                  |
| <b>Reportable segment operating assets</b>      |                   |                         |                           |                   |                   |                    |
|   | <b>99 526 263</b> | <b>2 963 221</b>        | <b>28 908 169</b>         | <b>83 835 398</b> | <b>38 601 564</b> | <b>253 834 615</b> |
| <b>Total liabilities</b>                        |                   |                         |                           |                   |                   |                    |
| Total segment liabilities                       | 22 395 153        | -                       | 2 200 997                 | 28 418 195        | 54 648 583        | 107 662 928        |
| Inter-segmental liabilities                     | -                 | -                       | -                         | -                 | -                 | -                  |
| <b>Reportable segment operating liabilities</b> |                   |                         |                           |                   |                   |                    |
|   | <b>22 395 153</b> | <b>-</b>                | <b>2 200 997</b>          | <b>28 418 195</b> | <b>54 648 583</b> | <b>107 662 928</b> |
| Capital expenditure                             | 1 553 901         | 3 318 936               | 267 889                   | 33 612 888        | -                 | 38 753 614         |
| <b>Geographical information</b>                 |                   |                         |                           |                   |                   |                    |
| Revenue from external customers                 |                   |                         |                           |                   |                   |                    |
| <b>Continued operations</b>                     |                   |                         |                           |                   |                   |                    |
| South Africa                                    |                   |                         |                           |                   |                   | 255 671 238        |
| DRC   |                   |                         |                           |                   |                   | 2 093 104          |
| Mozambique                                      |                   |                         |                           |                   |                   | 429 338            |
| Botswana  |                   |                         |                           |                   |                   | 934 565            |
| Zambia  |                   |                         |                           |                   |                   | 5 824 822          |
|   |                   |                         |                           |                   |                   | <b>264 953 067</b> |
| Location of non-current assets                  |                   |                         |                           |                   |                   |                    |
| South Africa                                    |                   |                         |                           |                   |                   | 82 073 041         |
| Ghana   |                   |                         |                           |                   |                   | 175 193            |
| Zambia  |                   |                         |                           |                   |                   | 4 831 920          |
|   |                   |                         |                           |                   |                   | <b>87 080 154</b>  |

|   | Trading<br>R       | Water<br>Treatment<br>R | Pipeline<br>Services<br>R | Plastics<br>R | Investment<br>R   | Total<br>R          |
|---|--------------------|-------------------------|---------------------------|---------------|-------------------|---------------------|
| <b>2013</b>                                     |                    |                         |                           |               |                   |                     |
| Total revenue                                   | 139 461 593        | 7 492 437               | 28 295 321                | –             |                   | 175 249 351         |
| Inter-segmental revenue                         | –                  | –                       | –                         | –             | –                 | –                   |
| External revenue                                | 139 461 593        | 7 492 437               | 28 295 321                | –             | –                 | 175 249 351         |
| Segment results items                           | (8 828 813)        | (1 309 125)             | (14 207 802)              | –             | (211 164)         | (24 556 904)        |
| Allocation adjustments to:                      |                    |                         |                           |               |                   |                     |
| Other income                                    |                    |                         |                           |               |                   | 2 788 080           |
| Investment income                               |                    |                         |                           |               |                   | 1 169 155           |
| Movement in provision for doubtful debt         |                    |                         |                           |               |                   | (61 497)            |
| Bad debts                                       |                    |                         |                           |               |                   | (3 883 303)         |
| Finance costs                                   |                    |                         |                           |               |                   | (15 803 305)        |
| Income tax                                      |                    |                         |                           |               |                   | (2 372 318)         |
| <b>Net profit/(loss) for the year</b>           |                    |                         |                           |               |                   | <b>(42 720 092)</b> |
| <b>Total assets</b>                             |                    |                         |                           |               |                   |                     |
| Total segment assets                            | 150 844 598        | 1 089 087               | 34 436 731                |               | 34 168 712        | 220 539 128         |
| Inter-segmental assets                          | –                  | –                       | –                         | –             | –                 | –                   |
| <b>Reportable segment operating assets</b>      | <b>150 844 598</b> | <b>1 089 087</b>        | <b>34 436 731</b>         | <b>–</b>      | <b>34 168 712</b> | <b>220 539 128</b>  |
| <b>Total liabilities</b>                        |                    |                         |                           |               |                   |                     |
| Total segment liabilities                       | 122 094 984        | 109 333                 | 8 484 807                 | –             | 9 451 350         | 140 140 474         |
| Inter-segmental liabilities                     | –                  | –                       | –                         | –             | –                 | –                   |
| <b>Reportable segment operating liabilities</b> | <b>122 094 984</b> | <b>109 333</b>          | <b>8 484 807</b>          | <b>–</b>      | <b>9 451 350</b>  | <b>140 140 474</b>  |
| Capital expenditure                             | 394 776            | –                       | 489 824                   | –             | –                 | <b>884 600</b>      |
| Depreciation and amortisation                   | 1 630 579          | –                       | 3 822 036                 | –             | –                 | <b>5 452 615</b>    |
| <b>Geographical information</b>                 |                    |                         |                           |               |                   |                     |
| Revenue from external customers                 |                    |                         |                           |               |                   |                     |
| <b>Continued operations</b>                     |                    |                         |                           |               |                   |                     |
| South Africa                                    |                    |                         |                           |               |                   | 159 037 422         |
| Zambia  |                    |                         |                           |               |                   | 16 211 929          |
|   |                    |                         |                           |               |                   | <b>175 249 351</b>  |
| <b>Location of non-current assets</b>           |                    |                         |                           |               |                   |                     |
| South Africa                                    |                    |                         |                           |               |                   | 45 075 672          |
| Ghana   |                    |                         |                           |               |                   | 314 017             |
| Zambia  |                    |                         |                           |               |                   | 4 779 670           |
|   |                    |                         |                           |               |                   | <b>50 169 359</b>   |

#### 43. CALCULATION OF NORMALISED EBITDA

|                               | 30 June<br>2015   | 30 June<br>2014    |
|-------------------------------|-------------------|--------------------|
| Loss before taxation          | (9 612 676)       | (24 401 030)       |
| Adjustments:                  |                   |                    |
| Finance costs                 | 5 828 641         | 17 233 947         |
| Investment income             | (163 100)         | (478 292)          |
| Depreciation and amortisation | 9 689 591         | 5 356 875          |
| Legal settlement              | 2 500 000         | –                  |
| Termination benefits          | 2 640 311         | –                  |
| <b>Normalised EBITDA</b>      | <b>10 882 767</b> | <b>(2 288 500)</b> |

## REVIEWED CONDENSED CONSOLIDATED RESULTS OF RARE FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2015

The below information are extracts from the reviewed consolidated results of Rare for the six month period ended 31 December 2015. The extracted information is the responsibility of the directors of Rare. There have been no material changes to the financial or trading position of Rare nor has there been any change in the nature of the business of Rare between the last reporting period and the Last Practicable Date.

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

|   | <b>Unaudited<br/>6 Months<br/>December<br/>2015<br/>R'000</b> | Unaudited<br>6 Months<br>December<br>2014<br>R'000 |
|---|---|--|
| Revenue   | 98 337  | 215 928  |
| Cost of sales   | (81 496)  | (177 662)  |
| Gross profit  | 16 841  | 38 266   |
| Other income  | 3 752   | 1 444  |
| Operating expenses  | (23 426)  | (36 658)   |
| Operating (loss) / (profit)   | (2 833)   | 3 052  |
| Investment income   | 63  | 49   |
| Finance costs   | (3 241)   | (2 794)  |
| (Loss) / profit before taxation                                       | (6 011)   | 307  |
| Income tax  | (50)  | –  |
| (Loss) / profit for the period  | (6 061)   | 307  |
| Other comprehensive income:   |   |  |
| Items that will not be reclassified to profit or loss:                |   |  |
| Gain on property revaluation (Kliprivier)                             | –   | –  |
| Taxation related to components of other comprehensive income          | –   | –  |
| Other comprehensive income net of taxation                            | –   | –  |
| Total comprehensive (loss) / profit for the period                    | (6 061)   | 307  |
| Net (loss) / profit attributable to:                                  |   |  |
| Equity holders of the parent  | (6 061)   | 307  |
| Non-controlling interest  | –   | –  |
| Weighted average number of ordinary shares in issue ('000)            | 42 802  | 42 888   |
| (Loss) / profit per ordinary share (cents) (basic and diluted)        | (14.16)   | 0.72   |
| <b>Headline earnings reconciliation</b>                               |   |  |
| (Loss) / profit attributable to equity holders of the parent          | (6 061)   | 307  |
| Profit on sale of subsidiary  | –   | –  |
| Profit on disposal of property,<br>plant and equipment                | –   | –  |
| Headline (loss) / profit attributable to ordinary shareholders        | (6 061)   | 307  |
| Headline profit/(loss) per ordinary share (cents) (basic and diluted) | (14.16)   | 0.72   |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

|   | Unaudited<br>6 Months<br>December<br>2015<br>R'000 | Unaudited<br>6 Months<br>December<br>2014<br>R'000 |
|---|--|--|
| <b>ASSETS</b>                                   |  |  |
| Non-current assets                              |  |  |
| Property, plant and equipment                   | 90 562   | 85 753   |
| Intangible assets                               | 442  | 572  |
| <b>Current Assets</b>                           |  |  |
| Inventories                                     | 82 960   | 83 071   |
| Trade and other receivables                     | 18 321   | 71 798   |
| Other financial assets                          | -  | 160  |
| Current taxation receivable                     | -  | 112  |
| Prepayments                                     | 18   | 49   |
| Cash and cash equivalents                       | 13 681   | 20 217   |
| <b>Total Assets</b>                             | <b>205 984</b>                                     | <b>261 732</b>                                     |
| <b>EQUITY AND LIABILITIES</b>                   |  |  |
| <b>Equity</b>                                   |  |  |
| Share capital                                   | 390 335  | 390 335  |
| Reserves  | 9 788  | 8 001  |
| Accumulated loss                                | (268 634)  | (252 857)  |
| Equity attributable to equity holders of parent | 131 489  | 145 479  |
| <b>Liabilities</b>                              |  |  |
| Non-current liabilities                         |  |  |
| Other financial liabilities                     | 61 740   | 55 814   |
| Operating lease liability                       | -  | 11   |
| Deferred taxation                               | 2 651  | 2 440  |
| <b>Current liabilities</b>                      |  |  |
| Trade and other payables                        | 9 634  | 57 613   |
| Other financial liabilities                     | 382  | 375  |
| Current taxation payable                        | 88   | -  |
| Bank overdraft                                  | -  | -  |
| Income received in advance                      | -  | -  |
| <b>Total liabilities</b>                        | <b>74 495</b>                                      | <b>116 253</b>                                     |
| <b>Total equity and liabilities</b>             | <b>205 984</b>                                     | <b>261 732</b>                                     |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

|                               | Unaudited<br>6 Months<br>December<br>2015<br>R'000 | Unaudited<br>6 Months<br>December<br>2014<br>R'000 |
|-------------------------------|--|--|
| Opening balance               | 137 550  | 146 172  |
| (Loss)/ profit for the period | (6 061)  | 307  |
| Adjustments                   |  |  |
| Revaluation reserve           | -  | -  |
| Underwriting fee              | -  | (1 000)  |
| <b>Total changes</b>          | <b>(6 061)</b>                                     | <b>(693)</b>                                       |
| <b>Closing balance</b>        | <b>131 489</b>                                     | <b>145 479</b>                                     |
| Comprising of:                |  |  |
| Share capital                 | 390  | 390 335  |
| Revaluation reserve           | 9 788  | 8 001  |
| Retained income               | (268 634)  | (252 857)  |
| <b>Total equity</b>           | <b>131 489</b>                                     | <b>145 479</b>                                     |

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

|  | <b>Unaudited<br/>6 Months<br/>December<br/>2015<br/>R'000</b> | Unaudited<br>6 Months<br>December<br>2014<br>R'000 |
|--|---|--|
| Cash flows from operating activities       |   |  |
| Cash (used in) / generated from operations | <b>(4 480)</b>  | 17 260   |
| Interest income                            | <b>63</b>   | 49   |
| Finance costs                              | <b>(400)</b>  | (444)  |
| Net cash from operating activities         | <b>(4 817)</b>  | 16 865   |
| Cash flow from investing activities        |   |  |
| Purchase of property, plant and equipment  | <b>(5 417)</b>  | (3 044)  |
| Sale of property, plant and equipment      | -   | -  |
| Sale of subsidiary                         | -   | -  |
| Purchase of other intangible assets        | -   | (5)  |
| Proceeds from other financial assets       | -   | 240  |
| Net cash from investing activities         | <b>(5 417)</b>  | (2 809)  |
| Cash flows from financing activities       |   |  |
| Underwriting fees paid                     | -   | (1 000)  |
| Proceeds from financial liabilities        | -   | 4 000  |
| Repayment of financial liabilities         | <b>(177)</b>  | (1 681)  |
| Net cash from financing activities         | <b>(177)</b>  | 1 319  |
| Total cash movement for the period         | <b>(10 411)</b>   | 15 375   |
| Cash at the beginning of the period        | <b>24 092</b>   | 4 842  |
| Total cash at end of the period            | <b>13 681</b>   | 20 217   |



## CONDENSED SEGMENTAL INFORMATION - PRIMARY SEGMENT REPORT BUSINESS SEGMENTS

For the 6 months ending 31 December 2015

The performance of the various segments is measured based on segment gross profit less segment operating expenses directly attributable to each segment with an allocation of indirect operating expenses to the reporting segments. All transactions between reportable segments are accounted for at arm's length so as to objectively evaluate the performance of the various segments.

| R'000  | Trading | Water<br>Treatment | Pipeline<br>services | Plastics | Investment | Total   |
|--|---------|--------------------|----------------------|----------|------------|---------|
| Total revenue                                  | 53 382  | –                  | 2 362                | 42 589   | 1 500      | 99 833  |
| Inter-segmental revenue                        | –       | –                  | –                    | (1 500)  | (1 500)    |         |
| External revenue                               | 53 382  | –                  | 2 362                | 42 593   | –          | 98 337  |
| Segment  |         |                    |                      |          |            |         |
| Results before separately<br>disclosable items | 8 224   | (616)              | (1 133)              | (8 605)  | –          | (2 130) |
| Other income                                   | 3 697   | –                  | 56                   | –        | –          | 3 753   |
| Investment income                              | –       | –                  | –                    | –        | 63         | 63      |
| Depreciation and<br>Amortisation               | (98)    | (214)              | (1 484)              | (1 906)  | (804)      | (4 506) |
| Finance cost                                   | –       | –                  | –                    | –        | (3 241)    | (3 241) |
| Net profit/(loss) for the period               | 11 823  | (830)              | (2 561)              | (10 511) | (3 982)    | (6 061) |

## CONDENSED SEGMENTAL INFORMATION - PRIMARY SEGMENT REPORT BUSINESS SEGMENTS

For the 6 months ending 31 December 2014

| R'000  | Trading | Water<br>Treatment | Pipeline<br>services | Plastics | Investment | Total   |
|--|---------|--------------------|----------------------|----------|------------|---------|
| Total revenue  | 50 348  | –                  | 34 792               | 130 788  | 2 396      | 218 324 |
| Inter-segmental revenue                                | –       | –                  | –                    | –        | (2 396)    | (2 396) |
| External revenue                                       | 50 348  | –                  | 34 792               | 130 788  | –          | 215 928 |
| Segment results before<br>separately disclosable items | 1 639   | (1 106)            | 3 271                | 3 558    | –          | 7 362   |
| Other income   | –       | –                  | –                    | –        | 954        | 954     |
| Profit on sale of assets                               | –       | –                  | 490                  | –        | 490        | –       |
| Investment income                                      | –       | –                  | –                    | –        | 49         | 49      |
| Termination Benefits                                   | (1 249) | –                  | (673)                | –        | –          | (1 922) |
| Depreciation and amortisation                          | (86)    | (203)              | (1 365)              | (1 376)  | (802)      | (3 832) |
| Finance cost   | –       | –                  | –                    | –        | (2 794)    | (2 794) |
| Net profit/(loss) for the period                       | 304     | (1 309)            | 1 233                | 2 672    | (2 593)    | 307     |

### NOTES

#### BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 31 December 2015 from which these financial statements have been derived has been prepared in accordance with International Financial Reporting Standards (IFRS), the SAICA financial reporting guides as issued by the Accounting Practices Committee, the interpretations adopted by the International Accounting Standards Board (IASB), the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the Listings Requirements of the JSE Limited and the requirements of the South African Companies Act 71 of 2008, as amended.

These condensed interim financial results are presented in compliance with IAS 34 – Interim Financial Reporting and should be read in conjunction with the annual financial statements for the year ended 30 June 2015.

These financial results were internally compiled by R Viljoen CA(SA) and have not been reviewed or audited by the Company's auditors.

#### ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the abridged interim financial information are consistent with those of the annual financial statements for the year ended 30 June 2015. For a full list of standards and interpretations which have been adopted we refer you to the 30 June 2015 annual financial statements.

## FOREIGN RARE SHAREHOLDERS AND EXCHANGE CONTROL REGULATIONS

### 1. FOREIGN RARE SHAREHOLDERS

- 1.1. The Scheme may be affected by the laws of the relevant jurisdiction of a Foreign Rare Shareholder. A Foreign Rare Shareholder should acquaint itself with and observe any applicable legal requirements of such jurisdiction in relation to all aspects of this Circular that may affect it. It is the responsibility of each Foreign Rare Shareholder to satisfy itself as to the full observance of the laws and regulatory requirements of the relevant jurisdiction in connection with the Scheme, including the obtaining of any governmental, exchange control or other consents, the making of any filings which may be required, the compliance with other necessary formalities and the payment of any taxes or other requisite payments due in such jurisdiction.
- 1.2. The Scheme is governed by the laws of South Africa and are subject to any applicable laws and regulations, including the Exchange Control Regulations.
- 1.3. Any Rare Shareholder who is in doubt as to its position, including, without limitation, its tax status, should consult an appropriate independent professional advisor in the relevant jurisdiction without delay.

### 2. EXCHANGE CONTROL REGULATIONS

The following is a summary of the Exchange Control Regulations. It is intended as a guide only and is not a comprehensive statement of the Exchange Control Regulations which apply to Scheme Participants (collectively referred to as “**Offer Participants**”). Offer Participants who have any queries regarding the Exchange Control Regulations should contact their own professional advisors without delay.

#### 2.1 Residents of the Common Monetary Area

In the case of Scheme Participants whose registered addresses in the Register are within the Common Monetary Area and whose Documents of Title are not restrictively endorsed in terms of the Exchange Control Regulations, the Scheme Consideration will be settled in the manner detailed in, respectively, paragraph 4.6 of the Circular..

#### 2.2 Emigrants from the Common Monetary Area

- 2.2.1 The Scheme Consideration, is not freely transferable from South Africa and must be dealt with in terms of the Exchange Control Regulations.
- 2.2.2 The Scheme Consideration, due to a Scheme Participant who is an emigrant from South Africa, whose registered address is outside the Common Monetary Area and whose Documents of Title have been restrictively endorsed under the Exchange Control Regulations, will be deposited in a blocked account with the authorised dealer in foreign exchange in South Africa controlling the Scheme Participant’s blocked assets in accordance with his instructions, against delivery of the relevant documents of title.
- 2.2.3 In terms of a recent relaxation to the exchange control rulings, emigrants may externalise the Scheme Consideration by making application to the Financial Surveillance Department of the South African Reserve Bank via the requisite authorised dealer channel. Previously, a 10% levy would have been payable on externalisation. This is however no longer the position and the Scheme Consideration, may, on application, be externalised free of the levy.
- 2.2.4 The authorised dealer releasing the relevant documents of title in terms of the Scheme, as the case may be, must countersign the Form of Surrender and Transfer (*blue*) thereby indicating that the Scheme Consideration will be placed directly in its control.
- 2.2.5 The attached Form of Surrender and Transfer (*blue*) makes provision for the details of the authorised dealer concerned to be provided.

#### 2.3 All other non-residents of the Common Monetary Area

- 2.3.1 The Scheme Consideration, due to a Scheme Participant who is a non-resident of South Africa and who has never resided in the Common Monetary Area, whose registered address is outside the Common Monetary Area and whose Documents of Title have been restrictively endorsed under the Exchange Control Regulations, will be deposited with the authorised dealer in foreign exchange in South Africa nominated by such Scheme Participant. It will be incumbent on the Scheme Participant concerned to instruct the nominated authorised dealer as to the disposal of the Scheme Consideration against delivery of the relevant documents of title.
- 2.3.2 The Form of Surrender and Transfer (*blue*) attached to this Circular makes provision for the nomination required in terms of paragraph 2.3.1 above. If the information regarding the authorised dealer is not given in terms of paragraph 2.3.1 above, the Scheme Consideration, will be held in trust by Mayfair for the Scheme Participants concerned pending receipt of the necessary information or instruction.

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## WORDING OF SECTION 115 AND SECTION 164 OF THE COMPANIES ACT

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### Section 115 : Required approval for transactions contemplated in Part A

- (1) Despite section 65, and any provision of a company's Memorandum of Incorporation, or any resolution adopted by its board or holders of its securities, to the contrary, a company may not dispose of, or give effect to an agreement or series of agreements to dispose of, all or the greater part of its assets or undertaking, implement an amalgamation or a merger, or implement a scheme of arrangement, unless –
- (a) the disposal, amalgamation or merger, or scheme of arrangement –
    - (i) has been approved in terms of this section; or
    - (ii) is pursuant to or contemplated in an approved business rescue plan for that company, in terms of Chapter 6; and
  - (b) to the extent that Parts B and C of this Chapter and the Takeover Regulations, apply to a company that proposes to –
    - (i) dispose of all or the greater part of its assets or undertaking;
    - (ii) amalgamate or merge with another company; or
    - (iii) implement a scheme of arrangement,
- the Panel has issued a compliance certificate in respect of the transaction, in terms of section 119 (4)(b), or exempted the transaction in terms of section 119(6).
- (2) A proposed transaction contemplated in subsection (1) must be approved –
- (a) by a special resolution adopted by persons entitled to exercise voting rights on such a matter, at a meeting called for that purpose and at which sufficient persons are present to exercise, in aggregate, at least 25% of all of the voting rights that are entitled to be exercised on that matter, or any higher percentage as may be required by the company's Memorandum of Incorporation, as contemplated in section 64(2); and
  - (b) by a special resolution, also adopted in the manner required by paragraph (a), by the shareholders of the company's holding company if any, if –
    - (i) the holding company is a company or an external company;
    - (ii) the proposed transaction concerns a disposal of all or the greater part of the assets or undertaking of the subsidiary; and
    - (iii) having regard to the consolidated financial statements of the holding company, the disposal by the subsidiary constitutes a disposal of all or the greater part of the assets or undertaking of the holding company; and
  - (c) by the court, to the extent required in the circumstances and manner contemplated in subsections (3) to (6).
- (3) Despite a resolution having been adopted as contemplated in subsections (2)(a) and (b), a company may not proceed to implement that resolution without the approval of a court if –
- (a) the resolution was opposed by at least 15% of the voting rights that were exercised on that resolution and, within five business days after the vote, any person who voted against the resolution requires the company to seek court approval; or
  - (b) the court, on an application within 10 business days after the vote by any person who voted against the resolution, grants that person leave, in terms of subsection (6), to apply to a court for a review of the transaction in accordance with subsection (7).
- (4) For the purposes of subsections (2) and (3), any voting rights controlled by an acquiring party, a person related to an acquiring party, or a person acting in concert with either of them, must not be included in calculating the percentage of voting rights –
- (a) required to be present, or actually present, in determining whether the applicable quorum requirements are satisfied; or
  - (b) required to be voted in support of a resolution, or actually voted in support of the resolution.
- (4A) In subsection (4), 'act in concert' has the meaning set out in section 117(1)(b).
- (5) If a resolution requires approval by a court as contemplated in terms of subsection (3)(a), the company must either –
- (a) within 10 business days after the vote, apply to the court for approval, and bear the costs of that application; or
  - (b) treat the resolution as a nullity.
- (6) On an application contemplated in subsection (3)(b), the court may grant leave only if it is satisfied that the applicant –
- (a) is acting in good faith;
  - (b) appears prepared and able to sustain the proceedings; and
  - (c) has alleged facts which, if proved, would support an order in terms of subsection (7).

- (7) On reviewing a resolution that is the subject of an application in terms of subsection (5)(a), or after granting leave in terms of subsection (6), the court may set aside the resolution only if –
- (a) the resolution is manifestly unfair to any class of holders of the company's securities; or
  - (b) the vote was materially tainted by conflict of interest, inadequate disclosure, failure to comply with the Act, the Memorandum of Incorporation or any applicable rules of the company, or other significant and material procedural irregularity.
- (8) The holder of any voting rights in a company is entitled to seek relief in terms of section 164 if that person –
- (a) notified the company in advance of the intention to oppose a special resolution contemplated in this section; and
  - (b) was present at the meeting and voted against that special resolution.
- (9) If a transaction contemplated in this Part has been approved, any person to whom assets are, or an undertaking is, to be transferred, may apply to a court for an order to effect –
- (a) the transfer of the whole or any part of the undertaking, assets and liabilities of a company contemplated in that transaction;
  - (b) the allotment and appropriation of any shares or similar interests to be allotted or appropriated as a consequence of the transaction;
  - (c) the transfer of shares from one person to another;
  - (d) the dissolution, without winding-up, of a company, as contemplated in the transaction;
  - (e) incidental, consequential and supplemental matters that are necessary for the effectiveness and completion of the transaction; or
  - (f) any other relief that may be necessary or appropriate to give effect to, and properly implement, the amalgamation or merger.

#### **Section 164 : Dissenting shareholders appraisal rights**

- (1) This section does not apply in any circumstances relating to a transaction, agreement or offer pursuant to a business rescue plan that was approved by shareholders of a company, in terms of section 152.
- (2) If a company has given notice to shareholders of a meeting to consider adopting a resolution to –
- (a) amend its Memorandum of Incorporation by altering the preferences, rights, limitations or other terms of any class of its shares in any manner materially adverse to the rights or interests of holders of that class of shares, as contemplated in section 37(8); or
  - (b) enter into a transaction contemplated in section 112, 113, or 114,
- that notice must include a statement informing shareholders of their rights under this section.
- (3) At any time before a resolution referred to in subsection (2) is to be voted on, a dissenting shareholder may give the company a written notice objecting to the resolution.
- (4) Within 10 business days after a company has adopted a resolution contemplated in this section, the company must send a notice that the resolution has been adopted to each shareholder who –
- (a) gave the company a written notice of objection in terms of subsection (3); and
  - (b) has neither –
    - (i) withdrawn that notice; or
    - (ii) voted in support of the resolution.
- (5) A shareholder may demand that the company pay the shareholder the fair value for all of the shares of the company held by that person if –
- (a) the shareholder –
    - (i) sent the company a notice of objection, subject to subsection (6); and
    - (ii) in the case of an amendment to the company's Memorandum of Incorporation, holds shares of a class that is materially and adversely affected by the amendment;
  - (b) the company has adopted the resolution contemplated in subsection (2); and
  - (c) the shareholder –
    - (i) voted against that resolution; and
    - (ii) has complied with all of the procedural requirements of this section.
- (6) The requirement of subsection (5)(a)(i) does not apply if the company failed to give notice of the meeting, or failed to include in that notice a statement of the shareholders rights under this section.

- (7) A shareholder who satisfies the requirements of subsection (5) may make a demand contemplated in that subsection by delivering a written notice to the company within –
- (a) 20 business days after receiving a notice under subsection (4); or
  - (b) if the shareholder does not receive a notice under subsection (4), within 20 business days after learning that the resolution has been adopted.
- (8) A demand delivered in terms of subsections (5) to (7) must also be delivered to the Panel, and must state –
- (a) the shareholder's name and address;
  - (b) the number and class of shares in respect of which the shareholder seeks payment; and
  - (c) a demand for payment of the fair value of those shares.
- (9) A shareholder who has sent a demand in terms of subsections (5) to (8) has no further rights in respect of those shares, other than to be paid their fair value, unless –
- (a) the shareholder withdraws that demand before the company makes an offer under subsection (11), or allows an offer made by the company to lapse, as contemplated in subsection (12)(b);
  - (b) the company fails to make an offer in accordance with subsection (11) and the shareholder withdraws the demand; or
  - (c) the company, by a subsequent special resolution, revokes the adopted resolution that gave rise to the shareholder's rights under this section.
- (10) If any of the events contemplated in subsection (9) occur, all of the shareholder's rights in respect of the shares are reinstated without interruption.
- (11) Within five business days after the later of –
- (a) the day on which the action approved by the resolution is effective;
  - (b) the last day for the receipt of demands in terms of subsection (7)(a); or
  - (c) the day the company received a demand as contemplated in subsection (7)(b), if applicable, the company must send to each shareholder who has sent such a demand a written offer to pay an amount considered by the company's directors to be the fair value of the relevant shares, subject to subsection (16), accompanied by a statement showing how that value was determined.
- (12) Every offer made under subsection (11) –
- (a) in respect of shares of the same class or series must be on the same terms; and
  - (b) lapses if it has not been accepted within 30 business days after it was made.
- (13) If a shareholder accepts an offer made under subsection (12) –
- (a) the shareholder must either in the case of –
    - (i) shares evidenced by certificates, tender the relevant share certificates to the company or the company's transfer agent; or
    - (ii) uncertificated shares, take the steps required in terms of section 53 to direct the transfer of those shares to the company or the company's transfer agent; and
  - (b) the company must pay that shareholder the agreed amount within 10 business days after the shareholder accepted the offer and –
    - (i) tendered the share certificates; or
    - (ii) directed the transfer to the company of uncertificated shares.
- (14) A shareholder who has made a demand in terms of subsections (5) to (8) may apply to a court to determine a fair value in respect of the shares that were the subject of that demand, and an order requiring the company to pay the shareholder the fair value so determined, if the company has –
- (a) failed to make an offer under subsection (11); or
  - (b) made an offer that the shareholder considers to be inadequate, and that offer has not lapsed.

- (15) On an application to the court under subsection (14) –
- (a) all dissenting shareholders who have not accepted an offer from the company as at the date of the application must be joined as parties and are bound by the decision of the court;
  - (b) the company must notify each affected dissenting shareholder of the date, place and consequences of the application and of their right to participate in the court proceedings; and
  - (c) the court –
    - (i) may determine whether any other person is a dissenting shareholder who should be joined as a party;
    - (ii) must determine a fair value in respect of the shares of all dissenting shareholders, subject to subsection (16);
    - (iii) in its discretion may –
      - (aa) appoint one or more appraisers to assist it in determining the fair value in respect of the shares; or
      - (ab) allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective, until the date of payment;
    - (iv) may make an appropriate order of costs, having regard to any offer made by the company, and the final determination of the fair value by the court; and
    - (v) must make an order requiring –
      - (aa) the dissenting shareholders to either withdraw their respective demands or to comply with subsection (13)(a); and
      - (ab) the company to pay the fair value in respect of their shares to each dissenting shareholder who complies with subsection (13)(a), subject to any conditions the court considers necessary to ensure that the company fulfils its obligations under this section.
- (15A) At any time before the court has made an order contemplated in subsection (15)(c)(v), a dissenting shareholder may accept the offer made by the company in terms of subsection (11), in which case –
- (a) that shareholder must comply with the requirements of subsection 13(a); and
  - (b) the company must comply with the requirements of subsection 13(b).
- (16) The fair value in respect of any shares must be determined as at the date on which, and time immediately before, the company adopted the resolution that gave rise to a shareholder’s rights under this section.
- (17) If there are reasonable grounds to believe that compliance by a company with subsection (13)(b), or with a court order in terms of subsection (15)(c)(v)(bb), would result in the company being unable to pay its debts as they fall due and payable for the ensuing 12 months –
- (a) the company may apply to a court for an order varying the company’s obligations in terms of the relevant subsection; and
  - (b) the court may make an order that –
    - (i) is just and equitable, having regard to the financial circumstances of the company; and
    - (ii) ensures that the person to whom the company owes money in terms of this section is paid at the earliest possible date compatible with the company satisfying its other financial obligations as they fall due and payable.
- (18) If the resolution that gave rise to a shareholder’s rights under this section authorised the company to amalgamate or merge with one or more other companies, such that the company whose shares are the subject of a demand in terms of this section has ceased to exist, the obligations of that company under this section are obligations of the successor to that company resulting from the amalgamation or merger.
- (19) For greater certainty, the making of a demand, tendering of shares and payment by a company to a shareholder in terms of this section do not constitute a distribution by the company, or an acquisition of its shares by the company within the meaning of section 48, and therefore are not subject to –
- (a) the provisions of that section; or
  - (b) the application by the company of the solvency and liquidity test set out in section 4.
- (20) Except to the extent –
- (a) expressly provided in this section; or
  - (b) that the Panel rules otherwise in a particular case,
- a payment by a company to a shareholder in terms of this section does not obligate any person to make a comparable offer under section 125 to any other person.”



**RARE HOLDINGS LIMITED**  
(Incorporated in the Republic of South Africa)  
(Registration number 2002/025247/6)  
Share code: RAR, ISIN: ZAE000092714  
("Rare" or "the Company")

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## NOTICE OF GENERAL MEETING OF RARE SHAREHOLDERS

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**NOTICE IS HEREBY GIVEN** that a General Meeting of Rare Shareholders will be held at 10:00 on Wednesday, 24 August 2016 at 22 Old Vereeniging, Kliprivier, Midvaal, 1949.

### **Purpose**

The purpose of the General Meeting is to consider and, if deemed fit, to approve, with or without modification, the special resolution set out in this notice.

### **Notes:**

- *The definitions and interpretations commencing on page 3 of the circular to which this notice of general meeting is attached ("the Circular"), apply mutatis mutandis to this notice and to the resolution set out below.*
- *For the Scheme Resolution to be approved by Rare Shareholders, it must be supported by at least 75% of the voting rights exercised on the resolution.*
- *The quorum requirement for the Scheme Resolution to be considered is that sufficient persons are present to exercise, in aggregate, at least 25% of all voting rights that are entitled to be exercised on the Scheme Resolution.*
- *The voting rights otherwise exercisable by Mayfair and the Scheme Concert Parties shall not be taken into account for any purposes in respect of the Scheme Resolution (i.e. as to whether or not a quorum is present to vote on the Scheme Resolution or whether or not the required number of voting rights have been exercised in support of the Scheme Resolution).*

*In terms of Regulation 84 of the Companies Regulations, a presumption exists that the Mayfair Director/s is acting in concert with Mayfair in respect of the Scheme. Accordingly, the voting rights otherwise exercisable by any of Mayfair Director/s and any persons who were Mayfair Directors at the time the Mayfair Board resolved to make the Offer to Rare Shareholders and who hold Rare Shares on the Scheme Voting Record Date, shall not be taken into account for any purposes in respect of the Scheme Resolution (i.e. as to whether or not a quorum is present to consider the Scheme Resolution or whether or not the required number of voting rights have been exercised in support of the Scheme Resolution).*

- *In accordance with section 115(4) of the Companies Act, neither Mayfair nor Scheme Concert Parties will be included in calculating the percentage votes required in determining whether the quorum requirements have been met at the General Meeting. In addition, Mayfair and Scheme Concert Parties will be precluded from voting at the General Meeting.*
- *The date on which Rare Shareholders must have been recorded as such in the Register for purposes of being entitled to receive this notice is Friday, 15 July 2016.*
- *The date on which Rare Shareholders must have been recorded as such in the Register for the purposes of being entitled to attend, speak and vote at the General Meeting or any adjournment thereof is 10:00 on Friday, 12 August 2016.*

### **SPECIAL RESOLUTION NUMBER 1 – Approval of the Scheme in terms of sections 114 and 115 of the Companies Act**

"RESOLVED, as a special resolution in terms of section 115(2)(a) of the Companies Act, that the scheme of arrangement in terms of section 114 of the Companies Act (as more fully set out in the Circular and as same may be amended as contemplated in the Circular) proposed by the Rare Board between Rare and its shareholders other than Mayfair and the Scheme Concert Parties, terms of which, *inter alia* if such scheme of arrangement becomes operative, Mayfair, will acquire, on the terms and subject to the conditions set out in the Circular (as same may be amended as contemplated in the Circular), all the Scheme Shares and each Scheme Participant will receive the Scheme Consideration, pursuant to which scheme of arrangement the Rare Shares will be de-listed from the securities exchange operated by JSE Limited, be and is hereby approved as a special resolution in terms of section 115(2)(a) of the Companies Act, 2008, as amended."

### **Reason and effect**

The reason for and the effect of Special Resolution Number 1 is to obtain shareholder approval, in terms of section 114 read with section 115 of the Companies Act, for the Scheme proposed by the Rare Board between Rare and its shareholders other than Mayfair and the Scheme Concert Parties. Rare Shareholders are referred to the content of the Circular for more information relating to the reason for and effect of Special Resolution Number 1.



## **SPECIAL RESOLUTION NUMBER 2 – Revocation of Special Resolution Number 1 if Scheme terminates or lapses**

“RESOLVED, as a special resolution in terms of section 164(9)(c) of the Companies Act, that subject to and in the event of (i) Special Resolution Number 1 being approved at the General Meeting in terms of the Companies Act and (ii) Rare announcing that the Scheme has been terminated or has lapsed as contemplated in terms of the Scheme, Special Resolution Number 1 is revoked with effect from the date of the announcement contemplated in (ii) above, as contemplated in section 164(9)(c) of the Companies Act, and accordingly any Dissenting Shareholder that has sent a demand to Rare in terms of sections 164(5) to (8) of the Companies Act to be paid the fair value of its Shares, shall have no rights to be so paid under section 164 of the Companies Act in that the Scheme did not and shall not become effective.”

### **Reason for and effect**

Special Resolution Number 2 is intended to remove the rights to payment of Dissenting Shareholders if the Scheme has been terminated or has lapsed and shall become effective only if: (i) the Scheme Resolution as defined in the Scheme is approved at the General Meeting in terms of the Companies Act; and (ii) Rare announces that the Scheme has been terminated or has lapsed. The effect of Special Resolution Number 2 is to remove any right to payment that a Dissenting Shareholder may have under section 164 of the Companies Act if the Scheme has been terminated or has lapsed.

### **VOTING AND PROXIES**

The date on which Rare Shareholders must be recorded in the Register for purposes of being entitled to attend and vote at the General Meeting is Friday, 12 August 2016. The last day to trade in order to be entitled to attend and vote at the General Meeting is Monday, 8 August 2016.

**Section 63(1) of the Companies Act requires that participants in the General Meeting (“Meeting Participants”) provide satisfactory identification. Accordingly, Meeting Participants will be required to provide proof of identification to the reasonable satisfaction of the chairman of the General Meeting and must accordingly bring a copy of their identity document, passport or drivers’ license to the General Meeting. If in doubt as to whether any document will be regarded as satisfactory proof of identification, Meeting Participants should contact the Transfer Secretaries for guidance.**

A Rare Shareholder entitled to attend, speak and vote at the General Meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a shareholder of the Company. For the convenience of Rare Shareholders, a Form of Proxy (*yellow*) is attached hereto. Completion of a Form of Proxy will not preclude such Rare Shareholder from attending and voting (in preference to that shareholder’s proxy) at the General Meeting of Rare Shareholders.

Duly completed forms of proxy and the authority (if any) under which it is signed must reach the Transfer Secretaries at the address given below by not later than 10:00 on Monday, 22 August 2016 or, alternatively, such forms of proxy may be handed to the chairman of the General Meeting immediately prior to the commencement of such General Meeting.

### **APPRAISAL RIGHTS FOR DISSENTING SHAREHOLDERS**

In terms of section 164 of the Companies Act, at any time before the Scheme Resolution as set out in this notice is voted on, a Dissenting Shareholder may give the Company a written notice objecting to the Scheme Resolution.

Within 10 Business Days after the Company has adopted the Scheme Resolution, the Company must send a notice that the Scheme Resolution has been adopted to each Rare Shareholder who:

- gave the Company a written notice of objection as contemplated above;
- has not withdrawn that notice; and
- has voted against the Scheme Resolution.

A Rare Shareholder may, within 20 Business Days after receiving the Company’s aforementioned notice of the adoption of the Scheme Resolution, demand that Rare pay such Rare Shareholder the fair value for all of the Rare Shares held by such Rare Shareholder if:

- the Rare Shareholder has given the Company written notice objecting to the Scheme Resolution;
- the Company has adopted the Scheme Resolution; and
- the Rare Shareholder concerned voted against the Scheme Resolution and has complied with all of the procedural requirements of section 164 of the Companies Act.

The wording of section 164 of the Companies Act is set out in **Annexure 5** to the Circular of which this notice forms part.

### **SIGNED AT KLIPRIVIER ON 25 JULY ON BEHALF OF THE RARE BOARD**

#### **W VAN COLLER**

CEO

#### **Company secretary and Registered office**

Renier Viljoen  
Kliprivier  
Midvaal, 1949  
(PO Box 124186, Alrode, Johannesburg, 1451)

#### **Transfer Secretaries**

Computershare Investor Services (Pty) Ltd  
Ground Floor  
70 Marshall Street  
Johannesburg, 2001  
(PO Box 61051, Marshalltown, 2107)



**RARE HOLDINGS LIMITED**  
(Incorporated in the Republic of South Africa)  
(Registration number 2002/025247/6)  
Share code: RAR, ISIN: ZAE000092714  
("Rare" or "the Company")

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## FORM OF PROXY IN RESPECT OF THE GENERAL MEETING OF RARE SHAREHOLDERS

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*The definitions and interpretations commencing on page 7 of the circular to which this Form of Proxy is attached ("the Circular") apply mutatis mutandis to this Form of Proxy.*

For use by Certificated Rare Shareholders and dematerialised Rare Shareholders with "own-name" registration at the General Meeting convened in terms of the Companies Act to be held at 10:00 on Wednesday, 24 August 2016 at 22 Old Vereeniging, Kliprivier, Midvaal, 1949 or any adjournment or postponement thereof.

I/We (Please PRINT names in full) \_\_\_\_\_

of (address) \_\_\_\_\_

Telephone number: \_\_\_\_\_ Cellphone number: \_\_\_\_\_

e-mail address: \_\_\_\_\_

being the holder(s) of \_\_\_\_\_ Rare Shares

do hereby appoint (see notes 1 and 2):

1. \_\_\_\_\_ or failing him/her,

2. \_\_\_\_\_ or failing him/her,

3. the Chairman of the General Meeting as my/our proxy to attend, speak and vote for me/us at the General Meeting for purposes of considering and, if deemed fit, passing, with or without modification, the special resolution to be proposed thereat and at each adjournment thereof and to vote for and/or against the special resolution and/or abstain from voting in respect of the Rare Shares registered in my/our name(s), in accordance with the following instruction (see notes):

|  | For | Against | Abstain |
|--|-----|---------|---------|
| <b>Special Resolution Number 1 -Approval of the Scheme in terms of sections 114 and 115 of the Companies Act</b> |     |         |         |
| <b>Special Resolution Number 2 – Revocation of Special Resolution Number 1 if Scheme terminates or lapses</b>    |     |         |         |

\* One vote per Rare Share held by Rare Shareholders. Rare Shareholders must insert the relevant number of votes they wish to vote in the appropriate box provided or "X" should they wish to vote all Rare Shares held by them.

Signed at: \_\_\_\_\_ On \_\_\_\_\_ 2016

Signature \_\_\_\_\_

Capacity of signatory (where applicable) \_\_\_\_\_

Note: Authority of signatory to be attached – see notes 8 and 9. \_\_\_\_\_

Assisted by me (where applicable) \_\_\_\_\_

Full name \_\_\_\_\_

Capacity \_\_\_\_\_

Signature \_\_\_\_\_

## SUMMARY OF RIGHTS CONTAINED IN SECTION 58 OF THE COMPANIES ACT

### In terms of section 58 of the Companies Act:

- A shareholder of a company may, at any time and in accordance with the provisions of section 58 of the Companies Act, appoint any individual (including an individual who is not a Rare Shareholder) as a proxy to participate in, and speak and vote at, a shareholders' meeting on behalf of such shareholder.
- A shareholder may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by the shareholder.
- A proxy may delegate his authority to act on behalf of a shareholder to another person, subject to any restriction set out in the instrument appointing such proxy.
- Irrespective of the form of instrument used to appoint a proxy, the appointment of a proxy is suspended at any time and to the extent that the relevant shareholder chooses to act directly and in person in the exercise of any of such shareholder's rights as a shareholder.
- Any appointment by a shareholder of a proxy is revocable, unless the form of instrument used to appoint such proxy states otherwise.
- If an appointment of a proxy is revocable, a shareholder may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy and (ii) delivering a copy of the revocation instrument to the proxy and to the relevant company.
- A proxy appointed by a shareholder is entitled to exercise, or abstain from exercising, any voting right of such shareholder without direction, except to the extent that the relevant company's memorandum of incorporation, or the instrument appointing the proxy, provides otherwise.
- If the instrument appointing a proxy or proxies has been delivered by a shareholder to a company, then, for so long as that appointment remains in effect, any notice that is required in terms of the Companies Act or such company's memorandum of incorporation to be delivered to a shareholder must be delivered by such company to:
  - the relevant shareholder; or
  - the proxy or proxies, if the relevant shareholder has: (i) directed such company to do so, in writing and (ii) paid any reasonable fee charged by such company for doing so.

### Notes:

1. Each Certificated Rare Shareholder is entitled to appoint 1 (or more) proxies (none of whom need be a Rare Shareholder) to attend, speak and vote in place of that Rare Shareholder at the General Meeting.
2. All Certificated Rare Shareholder may insert the name of a proxy or the names of two alternative proxies of the Rare Shareholder's choice in the space/s provided with or without deleting "the Chairman of the General Meeting" but the Rare Shareholder must initial any such deletion. The person whose name stands first on the Form of Proxy and who is present at the General Meeting will be entitled to act as proxy to the exclusion of those whose names follow.
3. A Certificated Rare Shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the proxy in the appropriate box provided or by the insertion of an "X" should they wish the proxy to vote all Rare Shares held by them. Failure to comply with the above will be deemed to authorise and direct the proxy or the chairman of the General Meeting, if the chairman is the authorised proxy, to vote in favour of the Special Resolutions to be considered at the General Meeting, or vote against or abstain from voting at the General Meeting as he/she deems fit, in respect of all the Rare Shareholder's votes exercisable at the General Meeting.
4. Completed forms of proxy and the authority (if any) under which they are signed must be lodged with or posted to the Transfer Secretaries at Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) or to be received by them by no later than 10:00 on Monday, 22 August 2016 or, alternatively, such Form of Proxy may be handed to the chairman of the General Meeting prior to the commencement of the General Meeting.
5. The completion and lodging of this Form of Proxy will not preclude the relevant Rare Shareholder from attending the General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such Rare Shareholder wish to do so.
6. The chairman of the General Meeting may accept or reject any Form of Proxy not completed and/or received in accordance with these notes or with the memorandum of incorporation of Rare.
7. Any alteration or correction made to this Form of Proxy must be initialled by the signatory/ies.
8. Documentary evidence establishing the authority of a person signing this Form of Proxy in a representative capacity (e.g. for a company, close corporation, trust, pension fund, deceased estate, etc.) must be attached to this Form of Proxy, unless previously recorded by Rare.
9. Where this Form of Proxy is signed under power of attorney, such power of attorney must accompany this Form of Proxy, unless it has been registered by Rare or waived by the chairman of the General Meeting.
10. Where Rare Shares are held jointly, all joint holders are required to sign this Form of Proxy.
11. A minor Rare Shareholder must be assisted by his/her parent/guardian, unless the relevant documents establishing his/her legal capacity are produced or have been registered by Rare.
12. This Form of Proxy shall be valid at any resumption of an adjourned meeting to which it relates although this Form of Proxy shall not be used at the resumption of an adjourned meeting if it could not have been used at the General Meeting from which it was adjourned for any reason other than it was not lodged timeously for the meeting from which the adjournment took place. This Form of Proxy shall in addition to the authority conferred by the Companies Act except insofar as it provides otherwise, be deemed to confer the power generally to act at the General Meeting, subject to any specific direction contained in this Form of Proxy as to the manner of voting.
13. A vote given in accordance with the terms of this Form of Proxy shall be valid notwithstanding the death or mental disorder of the principal or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the Rare Share in respect of which the proxy is given, provided that no notification in writing of such death, insanity, revocation or transfer as aforesaid shall have been received by Rare before the commencement of the meeting or adjourned meeting at which the proxy is used.
14. Any proxy appointed pursuant to this Form of Proxy may not delegate her or his authority to act on behalf of the relevant Rare Shareholder.
15. In terms of section 58 of the Companies Act, unless revoked, an appointment of a proxy pursuant to this Form of Proxy remains valid only until the end of the General Meeting of Rare Shareholders or any adjournment of such General Meeting.



**RARE HOLDINGS LIMITED**  
 (Incorporated in the Republic of South Africa)  
 (Registration number 2002/025247/6)  
 Share code: RAR, ISIN: ZAE000092714  
 ("Rare" or "the Company")

## FORM OF SURRENDER AND TRANSFER

The definitions and interpretations commencing on page 7 of the circular to which this form of surrender and transfer is attached ("**the Circular**"), apply *mutatis mutandis* to this form of surrender and transfer.

**This form should be read in conjunction with the Circular.**

Instructions:

1. A separate form of surrender and transfer is required for each Certificated Rare Shareholder. Rare Shareholders must complete this form in BLOCK CAPITALS.
2. Part A must be completed by all Certificated Rare Shareholders who return this form and **relates to the surrender of Documents of Title**.
3. Part B must be completed by Certificated Rare Shareholders **who are emigrants from or non-residents of** the Common Monetary Area (see note 2).
4. Part C must be completed by all Certificated Rare Shareholders who return this form and **relates to the bank account details of Rare shareholders**.

**Please also read notes overleaf.**

**To: The Transfer Secretaries**

| Hand deliveries to:   | Postal deliveries to:   |
|---|---|
| Computershare Investor Services (Pty) Ltd<br>Ground Floor<br>70 Marshall Street<br>Johannesburg, 2001 | Computershare Investor Services (Pty) Ltd<br>PO Box 61763<br>Marshalltown<br>2107 |

**Certificated Rare Shareholders must return this form of surrender and transfer and (if applicable) their Documents of Title to the Transfer Secretaries (Computershare Investor Services (Pty) Ltd), at the address provided above.**

Dear Sirs

**PART A – SURRENDER OF DOCUMENTS OF TITLE**

**Certificated Rare Shareholders who wish to anticipate the Scheme becoming operative and expedite settlement of the Scheme Consideration, if applicable, should complete Part A and return this form to the Transfer Secretaries together with their Document(s) of Title (see General Note above) by no later 12:00 on the Scheme Consideration Record Date.**

Should the Scheme not become operative, any Documents of Title surrendered to the Transfer Secretaries will be returned to such shareholders by the Transfer Secretaries, at such shareholders' own risk, by registered post within five Business Days from the date of receipt of the Documents of Title or the date on which it becomes known that the Scheme will not become operative, whichever is the later.

Surname or Name of corporate body \_\_\_\_\_

First names (in full) \_\_\_\_\_

Title \_\_\_\_\_

Address (see Part D below) \_\_\_\_\_

Postal code \_\_\_\_\_

Country \_\_\_\_\_

Telephone ( ) \_\_\_\_\_

Cellular telephone number \_\_\_\_\_

Email address \_\_\_\_\_

Fax number ( ) \_\_\_\_\_

- Please note:** In order to comply with the requirements of the Financial Intelligence Centre Act, 2001, the Transfer Secretaries will be unable to record any change of address mandated unless the following documentation is received from the relevant Rare Shareholder:
- an original certified copy of your identity document;
  - an original certified copy of a document issued by the South African Revenue Service to verify your tax number (if you do not have a tax number, please confirm this in writing and have the letter signed by a Commissioner of Oaths); and
  - an original or an original certified copy of a service bill to verify your physical address.

**I/WE HEREBY SURRENDER THE ENCLOSED SHARE CERTIFICATE/S, CERTIFIED TRANSFER DEED/S AND/OR OTHER DOCUMENTS OF TITLE, DETAILS OF WHICH HAVE BEEN COMPLETED BELOW, ALTERNATIVELY SURRENDER ALL THE SHARE CERTIFICATES CURRENTLY HELD BY RARE ON MY/OUR BEHALF, (AS THE CASE MAY BE) IN RESPECT OF MY/OUR HOLDING OF RARE SHARES.**

**Share certificate/s and/or other Document(s) of Title to be surrendered (as enclosed)**

| Name of registered holder<br>(separate form for each holder) | Certificate number(s)<br>(in numerical order) | Number of Rare Shares covered by each<br>certificate |
|--|---|--|
|  |   |  |
|  |   |  |
|  |   |  |
| <b>Total</b>   |   |  |

|  |  |
|--|--|
| Signature of Rare Shareholder                | Stamp and address of agent lodging this form |
| Assisted by me (if applicable)               |  |
| State full name and capacity                 |  |
| Date <span style="float: right;">2016</span> |  |
| Telephone number (Home) ( )                  |  |
| Telephone number (Work) ( )                  |  |
| Cell phone number ( )                        |  |

Signatories may be called upon for evidence of their authority or capacity to sign this form.

**PART B – TO BE COMPLETED BY EMIGRANTS OF THE COMMON MONETARY AREA**

**1. To be completed only by Rare Shareholders who are emigrants from the Common Monetary Area.**

The Scheme Consideration will be forwarded to the authorised dealer nominated below for its control and credited to the emigrant's blocked account. Accordingly, a non-resident who is an emigrant from South Africa must provide the following information:

Name and address of authorised dealer in South Africa or substitute instruction

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Account number

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**2. To be completed only by all other non-resident Rare Shareholders who wish to provide a substitute address.**

The Scheme Consideration will be posted to the registered address of the non-resident concerned, unless written instructions to the contrary are received and a substitute address provided below:

Substitute address

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**3. If no nomination is made in terms of 1 above, the Scheme Consideration will be held in trust by the Transfer Secretaries.**

**PART C – BANK ACCOUNT DETAILS OF RARE SHAREHOLDERS**

**To be completed in BLOCK CAPITALS by Rare Shareholders wishing to receive payment of the Scheme Consideration by means of EFT.**

I/We, being a holder/s of Rare Shares hereby request that the Scheme Consideration be electronically deposited into my/our bank account, the details of which are as follows:

Name of account holder (no third party accounts):

Bank name:

Branch code:

Account number:

Signature of Shareholder:

Assisted by me (if applicable):

(State full name and capacity):

Date:

Tel (H)

Tel (W)

Cellphone

**In terms of FICA, the Transfer Secretaries will only be able to record the bank details if certified true copies of the Shareholder's ID Document and Bank Statement are submitted with this Form.**

**Notes:**

- Emigrants from the Common Monetary Area must complete Part B.
- All other non-residents of the Common Monetary Area must complete Part B if they wish the Scheme Consideration if applicable, to be sent to an address other than their address in the Register.
- If Part B is not properly completed, the Scheme Consideration if applicable, (in the case of emigrants) will be held in trust by the Transfer Secretaries pending receipt of the necessary nomination or instruction.
- The Scheme Consideration, if applicable, will not be sent to Rare Shareholders unless and until Documents of Title in respect of the relevant Rare Shares have been surrendered to the Transfer Secretaries.
- If a Rare Shareholder produces evidence to the satisfaction of Rare and Mayfair that Documents of Title in respect of Rare Shares have been lost or destroyed, Rare may waive the surrender of such Documents of Title against delivery of a duly executed indemnity in a form and on terms and conditions approved by Rare and Mayfair, or may in their discretion waive such indemnity.
- If this form of surrender and transfer is not signed by the Rare Shareholder, the Rare Shareholder will be deemed to have irrevocably appointed the company secretary of Rare to implement that Rare Shareholder's obligations under the Scheme, as the case may be, on his/her behalf.
- Persons who have acquired Rare Shares after the date of posting of the Circular to which this form of surrender and transfer is attached, can obtain copies of the form of surrender and transfer and the Circular from Rare's company secretary at 22 Old Vereeniging, Kliprivier, Midvaal, 1949 ((PO Box 124186, Alrode, Johannesburg, 1451)) and from the Transfer Secretaries at Computershare Investor Services Proprietary Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107).
- No receipts will be issued for documents lodged, unless specifically requested. In compliance with the requirements of the JSE, lodging agents are requested to prepare special transaction receipts. Signatories may be called upon for evidence of their authority or capacity to sign this form.
- Any alteration to this form of surrender and transfer must be signed in full and should not be merely initialled.
- If this form of surrender and transfer is signed under a power of attorney, then such power of attorney, or a notarially certified copy hereof, must be sent with this form for noting (unless it has already been noted by Rare or the Transfer Secretaries).
- Where the Rare Shareholder is a company or a close corporation, unless it has already been registered with Rare or the Transfer Secretaries, a certified copy of the directors' or members' resolution authorising the signing of this form of surrender and transfer must be submitted if so requested by Rare.
- Note 11 above does not apply in the event of this form bearing the stamp of a broking member of the JSE.
- Where Rare Shares are held jointly, all joint holders are required to sign this form of surrender and transfer.



