

The definitions and interpretations commencing on page 5 of this Circular apply to this entire document, including the cover page, except where the context indicates a contrary intention.



Torre Industries Limited

(Incorporated in the Republic of South Africa)
(Registration number 2012/144604/06)
Share code: TOR ISIN: ZAE000188629
("Torre" or the "Company")

CIRCULAR TO TORRE SHAREHOLDERS

regarding:

- the disposal by Torre International, a wholly-owned subsidiary of Torre, of its remaining 55% shareholding in Kanu, as well as its claims in relation to a USD1 725 000 (ZAR23 700 120, at the ZAR Equivalent) shareholder loan against Kanu, through a series of transactions; and
- a specific repurchase of Torre shares

and incorporating:

- a notice convening a General Meeting of Torre shareholders; and
- a form of proxy for use by certificated and dematerialised Torre shareholders with "own name" registration.

Date of issue: 5 May 2017

Sponsor



**Independent Reporting
Accountants and Auditors**

Deloitte.

Legal Advisers



TORRE AND KANU CORPORATE INFORMATION AND ADVISERS

TORRE

Date of incorporation of Torre

13 August 2012

Place of incorporation of Torre

Republic of South Africa

Registered Office of Torre

11 Avalon Road
West Lake View
Ext 11
Modderfontein, 1645

Company Secretary

Sean Graham

Independent Reporting Accountants and Auditors

Deloitte & Touche

Registered Auditors

Deloitte Place
The Woodlands
20 Woodlands Drive
Woodmead
Sandton, 2191
(Private Bag X6, Gallo Manor, 2052)

Transfer Secretaries

Link Market Services South Africa Proprietary Limited
(Registration number 2000/007239/07)
13th Floor
Rennie House
19 Ameshoff Street
Braamfontein, 2001
(PO Box 4844, Johannesburg, 2000)

Sponsor

Rand Merchant Bank (A division of FirstRand Bank Limited)
(Registration number 1929/001225/06)
1 Merchant Place
Cnr Fredman Drive and Rivonia Road
Sandton, 2196
(PO Box 786273, Sandton, 2146)

Legal Advisors

Cliffe Dekker Hofmeyr Inc.
(Registration number 2008/018923/21)
11 Buitengracht Street
Cape Town, 8001
(PO Box 695, Cape Town, 8000)

KANU

Date of incorporation of Kanu

22 August 2012

Place of incorporation of Kanu

British Virgin Isles (BVI)
Kanu was deregistered in BVI and registered
by continuation in Mauritius on 7 May 2015

Registered Office of Kanu

Suite 1D
5 Clarens Fields Business Park
Black River Road
Bambous
Mauritius

This Circular is only available in English. A copy hereof may be obtained from the registered office of Torre at the address set out above from Friday, 5 May 2017 until Tuesday, 6 June 2017. This Circular is also available on the Company's website (www.torreindustries.com).

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ACTION REQUIRED BY TORRE SHAREHOLDERS AND IMPORTANT LEGAL NOTES

The definitions and interpretations commencing on page 5 of this Circular shall apply, *mutatis mutandis*, to this section.

This Circular is important and requires your immediate attention. If you have disposed of all your Torre shares, this Circular should be handed to the purchaser of such Torre shares or the stockbroker, banker, CSDP or other agent through whom the disposal was effected.

Please take careful note of the following provisions regarding the action to be taken by shareholders. If you are in any doubt as to what action you should take, please consult your stockbroker, banker, legal adviser, CSDP or other professional adviser immediately.

GENERAL MEETING

A General Meeting of shareholders will be held at 09:30 on Tuesday, 6 June 2017 at Torre's registered offices in Modderfontein, Johannesburg, to consider and, if deemed fit, to approve, with or without modification, the resolutions required to implement the Kanu Disposal and the Specific Repurchase. A notice convening the General Meeting is attached to, and forms part of, this Circular.

If you have dematerialised your shares without own name registration:

Your CSDP or broker should contact you to ascertain how you wish to cast your vote at the General Meeting and thereafter cast your vote in accordance with your instructions.

If you have not been contacted, it would be advisable for you to contact your CSDP or broker and furnish it with your voting instructions.

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 agreement concluded between you and your CSDP or broker.

You must not complete the attached form of proxy.

In accordance with the agreement between you and your CSDP or broker, you must advise your CSDP or broker if you wish to attend the General Meeting in person and your CSDP or broker will issue the necessary letter of representation for you to attend the General Meeting.

If you have not dematerialised your shares or have dematerialised your shares with own-name registration:

You may attend and vote at the General Meeting in person. Alternatively, you may appoint a proxy to represent you at the General Meeting by completing the attached form of proxy in accordance with the instructions therein, which form must be lodged with or posted to the Transfer Secretaries to be received by no later than 09:30 on Friday, 2 June 2017.

Any form of proxy not returned to the Transfer Secretaries by this time may be handed to the Chairperson of the General Meeting any time before the appointed proxy exercises any of the shareholder's rights at the General Meeting.

Shareholders are advised that they or their proxies may participate in the General Meeting by means of a teleconference facility and, if they wish to do so:

- must contact the Company Secretary at telephone number 011 923 7000 before 09:30 on Friday, 2 June 2017 to receive dial-in instructions for the conference call;
- will be required to provide reasonably satisfactory identification; and
- will be billed separately by their own telephone service providers for their telephone call to participate in the General Meeting.

It should be noted, however, that voting will not be possible via the electronic facilities and for shareholders wishing to vote, their shares will need to be represented at the General Meeting either in person, or by proxy or by letter of representation as provided for in this Circular.

APPLICABLE LAWS

The release, publication or distribution of this Circular and the SENS announcements relating thereto in certain jurisdictions may be restricted by law and therefore persons in any such jurisdictions into which this Circular and the SENS announcements relating thereto is released, published or distributed should inform themselves about and observe such restrictions. Any failure to comply with the applicable restrictions may

constitute a violation of the securities laws of any such jurisdiction. This Circular and the SENS announcements relating thereto does not constitute the solicitation of an offer to purchase shares or a solicitation of any vote or approval in any jurisdiction in which such solicitation would be unlawful.

The Kanu Disposal may be affected by the laws of the relevant jurisdictions of non-resident shareholders. Such non-resident shareholders should inform themselves about and observe any applicable legal requirements of such jurisdictions. It is the responsibility of any non-resident shareholder to satisfy himself as to the full observance of the laws and regulatory requirements of the relevant jurisdiction in connection with the Kanu Disposal, which are the subject of this Circular, including the obtaining of any governmental, exchange control or other consents or the making of any filings which may be required, the compliance with other necessary formalities, the payment of any issue, transfer or other taxes or other requisite payments due to such jurisdiction.

The Kanu Disposal is governed by the laws of England and Wales and is subject to any applicable laws and regulations, including the Companies Act.

Any shareholder who is in doubt as to their position, including, without limitation, their tax status, should consult an appropriate independent professional adviser in the relevant jurisdiction without delay.

FORWARD-LOOKING STATEMENTS

This Circular contains statements about the Company's group of companies that are, or may be, forward-looking statements. All statements, other than statements of 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 as they relate to events and depend on circumstances that may or may not occur in the future. The Company cautions that forward-looking statements are not guarantees of future performance. Actual results, financial and operating conditions, liquidity and the developments within the industry in which the Company operates may differ materially from those made in, or suggested by, the forward-looking statements contained in this Circular.

All of the forward-looking statements are based on estimates and assumptions, as regards the Company, made by the Company as communicated in publicly available documents by the Company, all of which estimates and assumptions, although the Company believes 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 the Company or not currently considered material by the Company.

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 Torre 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 are not known. The Company has no duty to, and does 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 law.

SALIENT DATES AND TIMES

The definitions and interpretations commencing on page 5 of this Circular shall apply, *mutatis mutandis*, to this section.

GENERAL MEETING	2017
Record date in order to be eligible to receive the Circular	Friday, 28 April
Circular posted to shareholders and announced on SENS on	Friday, 5 May
Last date to trade in Torre shares in order to be recorded in the register to vote at the General Meeting on	Tuesday, 23 May
Record Date to participate in and vote at the General Meeting by close of trade on	Friday, 26 May
Last date to lodge forms of proxy in respect of the General Meeting by 09:30 on	Friday, 2 June
General Meeting to be held at 09:30 on	Tuesday, 6 June
Results of General Meeting released on SENS on	Tuesday, 6 June

Notes

1. All times indicated in this Circular are local times in South Africa.
2. The dates and times indicated in the table above are subject to change. Any such changes will be released on SENS and published in the press.
3. Share certificates in the name of Torre may not be rematerialised or dematerialised between Wednesday, 24 May 2017 and Friday, 26 May 2017, both days inclusive.
4. To be valid, the completed forms of proxy as contained in this Circular, must be lodged with the Transfer Secretaries by no later than Friday, 2 June 2017 at 09:30, alternatively, such forms of proxy may be handed to the Company Secretary or Chairperson of the Company at the meeting until the commencement of the General Meeting.

DEFINITIONS AND INTERPRETATIONS

In this document, unless the context indicates a contrary intention, a word or an expression which denotes any gender includes the other gender, 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:

“ AAF ”	means Agricola Africa Limited, with registration number 114765 C2/GBL, a private company incorporated in accordance with the laws of Mauritius holding a Category 2 Global Business Licence and which is 100% owned by the African Agriculture Fund, a collective investment scheme;
“ AAF Interest Loan ”	means the obligation of Kanu to pay to Torre International interest on an amount equal in value to the Sale Claims at a rate of 10% per annum (compounded monthly in arrears) for the period starting on 22 June 2016 and ending on the Completion Date, which will form part of the Consolidated Loan;
“ AAF Subscription ”	means the subscription by AAF of the AAF Subscription Shares at the AAF Subscription Price;
“ AAF Subscription Price ”	means USD11 775 000 (ZAR161 779 080 at the ZAR Equivalent);
“ AAF Subscription Shares ”	means 21 504 Kanu Shares, representing 29.14% of Kanu’s issued share capital as at the Last Practicable Date;
“ beneficial owner ”	means a person on whose behalf any dematerialised share (not held in “own-name” form) is held by a CSDP or stockbroker or a nominee of a CSDP or stockbroker in accordance with a custody agreement;
“ Board ” or “ directors ”	means the directors of Torre as at the Last Practicable Date, whose names are set out on page 11 of this Circular;
“ Business Day ”	means any day other than a Saturday, Sunday or official public holiday in South Africa;
“ cents ”	means South African cents, in the official currency of South Africa;
“ certificated shares ”	means shares that have not been dematerialised, the title to which is evidenced by a Document of Title;
“ certificated shareholders ”	means shareholders who hold certificated shares;
“ CIPC ”	means the Companies and Intellectual Property Commission;
“ Circular ”	means all the documents contained in this bound document dated 5 May 2017, together with the annexures hereto;
“ common monetary area ”	means South Africa, the Republic of Namibia and the Kingdoms of Lesotho and Swaziland;
“ Companies Act ”	means the Companies Act, No. 71 of 2008, as amended, and where appropriate in the context includes a reference to the Companies Regulations;
“ Companies Regulations ”	means the Companies Regulations 2011, promulgated in terms of section 223 of the Companies Act (which include the Takeover Regulations);
“ Company Secretary ”	means Mr Sean Graham;
“ Completion Date ”	means the 15th Business Day following the Effective Date, or such other date as agreed between the parties to the Omnibus Amended and Restated Agreement;
“ Consolidated Loan ”	means the loan payable by Kanu to Torre International in an aggregate amount of USD5 715 511 (ZAR78 526 549 at the ZAR Equivalent) which arises from the consolidation of the SEF Loan, the AAF Interest Loan and the Manhand Receivables Loan in accordance with the Loan Agreement, the salient terms of which are included in paragraph 6.5 of the Circular;
“ CSDP ”	means a “Participant”, as defined in section 1 of the Financial Markets Act;

“custody agreement”	means a custody mandate agreement between a person and a CSDP or stockbroker, regulating their relationship in respect of dematerialised shares held on Torre’s uncertificated securities register administered by a CSDP or stockbroker on behalf of that person;
“dematerialised”	means the process whereby paper share certificates or other Documents of Title are replaced with electronic records of ownership of shares or securities as contemplated in section 49(5) of the Companies Act under the Strate system with a CSDP or stockbroker;
“dematerialised shares”	means shares that have been dematerialised or have been issued in dematerialised form, and which are held in electronic form on Torre’s uncertificated securities register administered by a CSDP or stockbroker;
“dematerialised shareholders”	means shareholders who hold dematerialised shares;
“Documents of Title”	means valid share certificates, certified transfer deeds, balance receipts or any other proof of ownership of Torre shares, reasonably acceptable to Torre;
“EBITDA”	means earnings before interest, taxation, depreciation and amortisation as contemplated in IFRS on a consolidated basis;
“Effective Date”	means the Business Day immediately following the date on which the last of the conditions precedent as set out in the Omnibus Amended and Restated Agreement are fulfilled or waived;
“Escrow Agent”	means Bowman Gilfillan Incorporated appointed jointly by Torre International and AAF;
“Escrow Agreement”	means the agreement entered into on 14 December 2016 between AAF, Torre International and the Escrow Agent in relation to the payment of USD10 000 000 (ZAR137 392 000 at the ZAR Equivalent) by AAF to the Escrow Agent in accordance with the terms of the Omnibus Amended and Restated Agreement;
“Event of Default”	means any event of default in accordance with the terms of the Loan Agreement;
“Exchange Control Regulations”	means the Exchange Control Regulations, 1961, as amended, made in terms of section 9 of the Currency and Exchanges Act, 1933 (Act No. 9 of 1933), as amended;
“FCTR”	means foreign currency translation reserve;
“Final Repayment Date”	means 31 December 2018;
“Financial Markets Act”	means the Financial Markets Act, No. 19 of 2012, as amended from time to time;
“First Repurchase”	means the repurchase by Kanu of 24 067 Kanu Shares, representing 32.61% of Kanu’s issued share capital as at the Last Practicable Date, from Torre International for an amount of USD11 775 000 (ZAR161 779 080 at the ZAR Equivalent);
“General Meeting”	means the general meeting of Torre shareholders on Tuesday, 6 June 2017 at Torre’s registered office in Modderfontein, Johannesburg, to consider and, if deemed fit, approve the resolutions required to implement the Kanu Disposal and Specific Repurchase as detailed in the Notice of General Meeting;
“IFRS”	means International Financial Reporting Standards;
“Irrevocable Undertakings”	means the irrevocable undertakings as provided by certain Torre shareholders to vote in favour of the Kanu Disposal, details of which are set out in paragraph 7 of this Circular;
“JSE”	means the JSE Limited (registration number 2005/022939/06), a public company incorporated in accordance with the laws of South Africa and licensed as an exchange under the Financial Markets Act;

“Kanu”	means Kanu Equipment Limited, with registration number 130563 C1/GBL, a privately-owned company incorporated in accordance with the laws of Mauritius holding a Category 1 Global Business Licence, in which Torre International owns 55% as at the Last Practicable Date;
“Kanu Disposal” or “Transaction”	means the disposal by Torre, through its wholly-owned subsidiary Torre International, of its 55% interest in Kanu, pursuant to the Specific Repurchase, the AAF Subscription and the First and Second Repurchases;
“Kanu Disposal Proceeds”	means, in respect of the Kanu Disposal, total proceeds payable by AAF and/or Kanu to Torre of USD26 725 000 (ZAR367 180 120 at the ZAR Equivalent);
“Kanu group”	means Kanu and all the subsidiaries and divisions of Kanu;
“Kanu Manco”	means certain key management of Kanu including KN Capital;
“Kanu Shares”	means the ordinary shares in the share capital of Kanu;
“King III Code”	means the King Report on Corporate Governance for South Africa 2009;
“KN Capital”	means Kanthu Nkhama Capital Proprietary Limited, registration number 2008/017529/07, a private company incorporated in accordance with the laws of South Africa and which is 100% owned by Smithyman Family Trust and is not a related party to Torre. Smithyman is the CEO of Kanu;
“Last Practicable Date”	means 28 April 2017, being the last practicable date prior to the finalisation of this Circular;
“Lease Agreement”	means the lease agreement to be entered into by no later than the Long Stop Date between Torre International and Kanu, governing the terms of the lease of property in 11 Avalon Road, Modderfontein, Johannesburg;
“Listings Requirements”	means the Listings Requirements of the JSE in force as at the Last Practicable Date;
“Loan Agreement”	means the loan agreement entered into on 10 March 2017 between AAF, Torre, Torre International and Kanu, governing the terms of the Consolidated Loan and the Vendor Loan;
“Long Stop Date”	means 25 July 2017 or such later date as agreed in writing between the parties to the Omnibus Amended and Restated Agreement and the annexure thereto;
“Management Accounts”	means the management accounts of Kanu as at 31 March 2017;
“Manhand”	means Manhand Materials Handling Holdings Proprietary Limited, registration number 1997/007251/07, a private company duly incorporated in accordance with the laws of South Africa and an ultimate wholly-owned subsidiary of Torre;
“Manhand Receivables Loan”	means the loan payable by Kanu to Torre International amounting to the Manhand claims against Kanu in lieu of trade and other receivables as at 1 February 2017, plus accrued interest on the claims for the period from 1 February 2017 until the Completion Date, which claims have been ceded by Manhand to Torre. This loan forms part of the Consolidated Loan;
“MOI” or “Memorandum of Incorporation”	means the Memorandum of Incorporation of the Company;
“net asset value”	means the value of the total assets (non-current assets plus current assets) minus total liabilities (non-current liabilities plus current liabilities). Assets include financial assets and liabilities include financial liabilities;
“Net Debt”	means the financial indebtedness of the group less cash (as defined in the Omnibus Amended and Restated Agreement), to be calculated on the date of finalisation of the audited annual financial statements of the Kanu group for the financial year ending 30 June 2017 and, thereafter, at the end of each financial quarter of Kanu;
“net tangible asset value”	means the net asset value less the value of goodwill and other intangible assets;

“New Shareholders Agreement”	means the subscription and shareholders’ agreement to be entered into by no later than the Long Stop Date between Kanu, Kanu Manco, AAF and KN Capital governing subscription of shares in Kanu and shareholder relationships in Kanu pursuant to the Kanu Disposal;
“Notice of General Meeting”	means the notice of General Meeting forming part of the Circular;
“Omnibus Agreement”	means the omnibus agreement entered into on 12 December 2016 between AAF, Torre, Torre International and Kanu governing the Kanu Disposal, which agreement was substituted by the Omnibus Amended and Restated Agreement;
“Omnibus Amended and Restated Agreement”	means the amended and restated agreement entered into on 10 March 2017 and the annexures thereto, governing amendments and restatements to the Omnibus Agreement;
“Other Transaction Documents”	means the Escrow Agreement; the Lease Agreement; the New Shareholders Agreement; the Services Agreement and the Loan Agreement as defined in the Omnibus Amended and Restated Agreement;
““own name” dematerialised shareholders”	means dematerialised shareholders who/which have elected to have “own-name” registration;
“PAT”	means profit after tax as contemplated in IFRS;
“Phatisa”	means Phatisa Fund Managers Limited, a private company limited by shares incorporated in Mauritius with registration number 090629 (C1/GBL) owned by Phatisa group Limited and whose registered office is at Maitland (Mauritius) Limited, Suite 510, 5th Floor, Barkly Wharf, Le Caudan Waterfront, Port Louis, Mauritius and the fund manager to AAF;
“Prime Rate”	means the publicly quoted prime rate of interest (per cent per annum) as published by Standard Bank of South Africa Limited from time to time;
“RMB” or “Sponsor”	means Rand Merchant Bank, a division of FirstRand Bank Limited (Registration number 1929/001225/06), a public company duly incorporated in accordance with the laws of South Africa and the appointed sponsor to Torre;
“Rand” or “R” or “ZAR”	means South African Rand, the official currency of South Africa;
“register”	means Torre’s share register, including all sub-registers;
“Sale Claims”	means the loan claims of Torre International against Kanu in relation to a loan with a face value of USD1 725 000 (ZAR23 700 120 at the ZAR Equivalent) advanced by Torre International to Kanu as a shareholder loan, but excluding all accrued interest which will be repaid to Torre by Kanu, as envisaged in paragraph 6.3;
“Second Repurchase”	means the repurchase by Kanu of 16 519 Kanu Shares, representing 22.4% of Kanu’s issued share capital as at the Last Practicable Date, from Torre International for an amount of USD11 725 000 (ZAR161 092 120 at the ZAR Equivalent);
“SEF”	means Stellar Equipment Finance, registration number 131246 C1/GBL, a privately-owned company incorporated in accordance with the laws of Mauritius holding a Category 1 Global Business Licence owned 50% by Torre International’s wholly-owned Mauritian subsidiary Torre Capital Ltd and 50% by Stellar Credit (Pty) Ltd;
“SEF Cash Loan”	means the cash loan lent and advanced by SEF to Kanu together with all interest accrued on such loan between 1 February 2017 and the Completion Date;
“SEF Debtors Book”	means all claims of SEF against trade and other debtors of SEF as at the Completion Date;
“SEF Loan”	means the loan payable by Kanu to Torre International of the SEF Cash Loan and the SEF Debtors Book pursuant to the sale of SEF Debtors Book and cession of SEF Cash Loan by SEF to Kanu and the subsequent cession of these to Torre International, which will form part of the Consolidated Loan;

“SENS”	means the Stock Exchange News Service of the JSE;
“Services Agreement”	means the services agreement to be entered into on 30 March 2017 between Torre and Kanu, governing the administrative services provided by Torre to Kanu;
“shareholders” or “Torre shareholders”	means certificated and dematerialised registered holders of Torre shares;
“shares” or “Torre shares”	means the ordinary shares of no par value in the share capital of Torre which shares are listed on the Main Board of the JSE;
“Smithyman”	means Stephen Smithyman (ID number 7508225082085), the CEO of Kanu as at the Last Practicable Date;
“South Africa”	means the Republic of South Africa;
“Specific Repurchase Agreement”	means the agreement entered into on 20 March 2017 between Torre and KN Capital governing the Specific Repurchase;
“Specific Repurchase”	means the repurchase by Torre of 11 070 000 Torre shares, representing 2.11% of Torre’s issued share capital as at the Last Practicable Date, from KN Capital for a nominal consideration of ZAR1;
“stockbroker”	means any person registered as a broking member (equities) in terms of the rules of the JSE made in accordance with the provisions of the Financial Markets Act;
“Strate”	means Strate Proprietary Limited (Registration number 1998/022242/07), a private company incorporated in accordance with the laws of South Africa, a registered central securities depository which is responsible for the electronic settlement system used by the JSE;
“sub-register”	means each of Torre’s sub-registers of members administered and maintained by CSDPs in electronic form;
“subsidiary”	means a subsidiary company, as defined in section 3 of the Companies Act;
“Takeover Regulations”	means the Takeover Regulations, issued pursuant to sections 120 and 223 of the Companies Act;
“Terms Announcement”	means the terms announcement as released on SENS on 22 November 2016 and published in the press 23 November 2016, which detailed, <i>inter alia</i> , the Kanu Disposal;
“Torre” or “Company”	means Torre Industries Limited (Registration number 2012/144604/06), a public company incorporated in accordance with the laws of South Africa, operating in conformity with its Memorandum of Incorporation and laws of South Africa, the shares of which are listed on the Main Board of the JSE;
“Torre group” or “group”	means Torre and its subsidiaries from time to time;
“Torre Holdings”	means Torre Holdings Proprietary Limited (Registration number 1982/009174/07), a private company incorporated in accordance with the laws of South Africa and an ultimate wholly-owned subsidiary of Torre;
“Torre International”	means Torre International Holdings Ltd, with registration number 120372 C1/GBL, a privately owned company incorporated in accordance with the laws of Mauritius holding a Category 1 Global Business Licence and a wholly-owned subsidiary of Torre;
“Torre International Shares”	means the ordinary shares in the issued share capital of Torre International;
“Transaction Agreements”	means the full suite of agreements and documents governing the Kanu Disposal including the Specific Repurchase Agreement, the Omnibus Amended and Restated Agreement and the Other Transaction Documents;
“Transfer Secretaries” or “Link Market Services”	means Link Market Services South Africa Proprietary Limited (Registration number 2000/007239/07), a private company incorporated in accordance with the laws of South Africa and the Transfer Secretaries of Torre;
“USD”	means United States Dollars;

“VAT”	means Value Added Tax, levied in terms of the provisions of the Value-Added Tax Act No. 89 of 1991, as amended;
“Vendor Loan”	means the vendor loan in the amount of USD8 082 500 (ZAR111 047 084 at the ZAR Equivalent) to be advanced by Torre International to Kanu in accordance with the terms and conditions set out in the Loan Agreement and in paragraph 6.5 of this Circular;
“Voting Record Date”	means the date on which shareholders must be recorded in the register in order to attend, speak at and vote at the General Meeting, which date is expected to be Friday, 26 May 2017;
“VWAP”	means volume weighted average price; and
“ZAR Equivalent”	means the USD to ZAR exchange rate of ZAR13,7392 as determined on 31 December 2016 which rate is used throughout the Circular, except Annexure 5, to provide comparative ZAR information where USD amounts are used.



Torre Industries Limited

(Incorporated in the Republic of South Africa)
(Registration number 2012/144604/06)
Share code: TOR ISIN: ZAE000188629
("Torre" or the "Company")

Directors of Torre

JT Botes (*Chief Executive Officer*)
S Mansingh (*Chief Financial Officer*)
CS Seabrooke (*Chairman*)*#
CE Pettit (*Executive Deputy Chairman*)
MM Ngoasheng*#
PJ van Zyl*#
LE Bakoro*#
MS Bomela*
N Khaole*

*Non-executive

#Independent

CIRCULAR TO TORRE SHAREHOLDERS

1. INTRODUCTION

1.1 Shareholders are referred to the Terms Announcement, which detailed, *inter alia*, the disposal by Torre of its 55% interest in Kanu through its wholly-owned subsidiary, Torre International, which will result in Kanu being held 89.1% by AAF and 10.9% by Kanu Manco. The Kanu Disposal is subject to the Specific Repurchase, the details of which are set out in paragraph 6.1 of this Circular.

2. PURPOSE OF THIS CIRCULAR

- 2.1 The purpose of this Circular is to provide shareholders with information regarding the Kanu Disposal.
- 2.2 The Kanu Disposal, which will be effected through a series of indivisible transactions, including, a Category 1 transaction and a specific repurchase of Torre shares in terms of section 5.69 of the Listings Requirements, consequently requires Torre to issue this Circular, disclosing full details thereof. The General Meeting, as detailed in the Notice of General Meeting, will be convened to allow Torre shareholders to consider and, if deemed appropriate, to approve, with or without modification, the resolutions required to implement the Kanu Disposal including the Specific Repurchase.
- 2.3 Neither the Kanu Disposal nor the Specific Repurchase are related party transactions for the purposes of the Listings Requirements.
- 2.4 The directors have evaluated the rationale for, and the terms and conditions of, the Kanu Disposal and the Specific Repurchase, and are of the opinion that the Kanu Disposal and Specific Repurchase will enhance shareholder value. Accordingly, after due consideration, the directors, who are eligible to vote, unanimously recommend that Torre shareholders vote in favour of all the resolutions necessary to approve and implement the Kanu Disposal and Specific Repurchase, as set out in the Notice of General Meeting.

3. RATIONALE FOR THE KANU DISPOSAL AND PROSPECTS FOR TORRE

- 3.1 The Transaction realises significant cash proceeds for Torre which may be used to reduce the Company's external debt with a significant net cash position remaining once all proceeds have been received. It is anticipated that these proceeds will be reinvested in the Company's core South African operations or returned to shareholders.
- 3.2 Following the completion of the Transaction, Kanu will be majority owned by AAF, a specialist investor that is focused on the African markets in which Kanu operates.
- 3.3 Whilst the Board is optimistic about the future of Torre, as a consequence of the Kanu Disposal, which will result in the disposal of the majority of the Company's non-South African operations, the Board has decided to initiate a strategic review on the future direction of Torre which the Board will communicate once concluded. Post the Kanu Disposal the Torre group of companies will continue to consist of the three operating segments (i.e. Capital Equipment, Parts and Components, and Analytical Services) and nine businesses within all segments, mainly operating within South Africa.

4. OVERVIEW OF KANU

- 4.1 Kanu, a private company incorporated in Mauritius, is currently held 55% by Torre, 40% by AAF and 5% by Kanu Manco. Kanu specialises in the supply of quality earthmoving, forestry, agricultural and construction equipment across Southern, Central and West Africa with operations in Zimbabwe, Botswana, Ghana, Republic of Congo, Sierra Leone, Ivory Coast, Cameroon, Liberia and Mauritius.

5. CONDITIONS PRECEDENT

- 5.1 The implementation of the Kanu Disposal will be subject to the fulfilment of the following outstanding conditions precedent by no later than the Long Stop Date, or such other date as specifically set out below:
 - 5.1.1 AAF being satisfied with legal opinions required in relation to the Kanu Disposal;
 - 5.1.2 the Specific Repurchase Agreement becoming unconditional;
 - 5.1.3 the Loan Agreement becoming unconditional;
 - 5.1.4 the Other Transaction Documents becoming unconditional;
 - 5.1.5 AAF being satisfied with guarantees given by Torre International in relation to supply agreements entered into with Liebherr Export AG Limited and Bell Equipment Limited;
 - 5.1.6 approval of the Kanu Disposal by the board of directors of Phatisa, AAF and Torre International;
 - 5.1.7 approval of the Kanu Disposal, including the Specific Repurchase by Torre Shareholders;
 - 5.1.8 AAF being satisfied that there has been no material adverse effect between 31 March 2017 and the Effective Date;
 - 5.1.9 AAF confirming that it is satisfied that the Management Accounts reflect that the Kanu group has achieved a PAT of at least USD3 000 000 (ZAR41 217 600 at the ZAR Equivalent) for the nine-month period ended 31 March 2017;
 - 5.1.10 AAF being satisfied with key employees having entered into binding service agreements with Kanu; and
 - 5.1.11 Torre International having delivered a disclosure letter to AAF in respect of disclosures against warranties to be provided by Torre International.

6. DETAILS OF THE KANU DISPOSAL

The Kanu Disposal involves a series of indivisible transactions as set out below. Approval for the Kanu Disposal will also require approval of the Specific Repurchase. The Specific Repurchase is subject to the Kanu Disposal being approved. For ease of reference, a diagram setting out the shareholding of Kanu before and after the Kanu Disposal following the series of indivisible steps is included in paragraph 6.6 below.

6.1 The Specific Repurchase

Prior to the implementation of the Kanu Disposal, KN Capital owns 11 070 000 Torre Shares constituting 2.11% of the issued ordinary share capital of Torre, which KN Capital intends to sell and Torre intends to repurchase for a nominal consideration of ZAR1.

The nominal consideration represents an effective repurchase consideration of USD1 500 000 (ZAR20 608 800 at the ZAR Equivalent).

KN Capital is unrelated to Torre. Torre will cancel and delist the 11 070 000 shares which will be restored to the status of authorised but unissued shares.

The repurchase of Torre shares by Torre is regarded a specific repurchase of shares in terms of section 5 of the Listings Requirements and accordingly requires approval from 75% of Torre shareholders eligible to vote on the resolution at the General Meeting. In terms of the Listings Requirements, KN Capital and its associates will be precluded from voting on the resolution to approve the Specific Repurchase.

6.2 **The AAF Subscription**

Prior to the implementation of the Kanu Disposal, AAF holds a 40% interest in Kanu. AAF will subscribe for the AAF Subscription Shares at the AAF Subscription Price.

AAF deposited an amount of USD10 000 000 (ZAR137 392 000 at the ZAR Equivalent) into the account of the Escrow Agent to be held in trust as security for the obligations of AAF to settle a portion of the AAF Subscription Price. AAF shall settle the remainder of the AAF Subscription Price, being an amount of USD1 775 000 (ZAR24 387 080 at the ZAR Equivalent) in cash to Kanu prior to the Completion Date.

6.3 **The sale of the Sale Claims**

Pursuant to the AAF Subscription, AAF will purchase from Torre International the Sale Claims with effect from the Completion Date for an amount equal to the face value thereof. Interest at a rate of 10% per annum, compounded monthly in arrears shall accrue to the value equivalent of the Sale Claims for the period starting on 22 June 2016 and terminating on the Completion Date for the benefit of Torre International. Kanu shall settle such interest monthly to Torre International.

6.4 **The First and Second Repurchases**

On the Completion Date, Kanu shall apply the AAF Subscription Price towards repurchasing 21 504 Kanu Shares from Torre International ("**First Repurchase Shares**") in cash, after which the First Repurchase Shares shall be cancelled.

In addition to the First Repurchase Shares, Kanu shall repurchase the remaining 16 519 Kanu Shares held by Torre International ("**Second Repurchase Shares**") for an amount equal to USD8 082 500 (ZAR111 047 084 at the ZAR Equivalent) which amount shall be left outstanding by Kanu to Torre International to form the Vendor Loan as more fully set out below.

Kanu Manco will subscribe for 6 253 shares in Kanu in accordance with the terms set out in the New Shareholders Agreement.

Pursuant to the Kanu Disposal the shareholding of Kanu shall be as follows:

- AAF – 51 021 Kanu Shares comprising 89.1% of the issued Kanu Shares; and
- Kanu Manco – 6 253 Kanu Shares comprising 10.9% of the issued Kanu Shares.

Since Kanu and Torre International are Mauritian GBL entities, the First and Second Repurchases are governed under Mauritian Companies Law. Accordingly, the requirements for repurchases under section 48 of the Companies Act do not apply.

6.5 **The Consolidated Loan and the Vendor Loan**

Consolidated Loan

The Consolidated Loan shall comprise an aggregate amount of USD5 715 511 (ZAR78 526 549 at the ZAR Equivalent) being an amount equal to the AAF Interest Loan, the SEF Loan and the Manhand Receivables Loan. The Consolidated Loan shall be deemed to be advanced on the Completion Date and shall, for the term of the loan accrue interest at a rate of 7.5% per annum, compounded monthly and will be payable monthly by Kanu to Torre International in arrears.

The Consolidated Loan principal amount will be repayable by Kanu to Torre International in three capital repayments as to USD1 725 000 (ZAR23 700 120 at the ZAR Equivalent) on the Completion Date, USD2 000 000 (ZAR27 478 400 at the ZAR Equivalent) on 31 December 2017 and USD1 990 511 (ZAR27 348 029 at the ZAR Equivalent) on the Final Repayment Date.

Vendor Loan

The Vendor Loan shall comprise an amount of USD8 082 500 (ZAR111 047 084 at the ZAR Equivalent) being an amount equal to the purchase price left outstanding in respect of the Second Repurchase. The Vendor Loan shall, for the term of the loan accrue interest at a rate of 7.5% per annum, compounded monthly in arrears. The Vendor Loan shall be advanced on the Completion Date.

The Vendor Loan (plus all interest accrued thereon) will become payable on the Final Repayment Date.

Kanu may elect to exercise its option to extend the Vendor Loan term by a further six months from the Final Repayment Date (“**Termination Date**”).

If Kanu elects to extend the repayment of the Vendor Loan to the Termination Date, the Vendor Loan shall accrue interest at a rate of 13.75% per annum, compounded monthly, from the Final Repayment Date until the Termination Date.

General

The Consolidated Loan and the Vendor Loan shall be subordinated to the third party facilities of Kanu existing as at the Completion Date, and any third party facility advanced to the Kanu group in the ordinary course, and which will not, or is not reasonably likely to, result in the Net-Debt-to-EBITDA ratio exceeding 2 to 1, but shall rank in priority to all other indebtedness, all equity, and all debt and equity instruments (including, without limitation, shareholder loans, preference shares and ordinary shares in the capital of Kanu).

If, at any time before repayment of the Consolidated Loan and the Vendor Loan (plus accrued interest), Torre International becomes aware of an Event of Default (which includes non-payment of the loans), Kanu shall have 60 Business Days within which to remedy the Event of Default after receiving notice from Torre International.

For purposes of the aforementioned, an “Event of Default” includes Kanu breaching any of the financial covenants or undertakings set out below:

Financial Covenants

The ratio of Net-Debt-to-EBITDA, for so long as the Consolidated Loan and Vendor Loan remains outstanding, not exceeding 2 to 1.

Undertakings

For so long as any amount remains outstanding under the Consolidated Loan and Vendor Loan, Kanu shall not, and shall procure that each other Kanu group company shall not, without the prior written consent of Torre International:

- make any distributions to its shareholders in respect of any class of shares issued by the Company, provided that, a distribution shall not include the payment of certain agreed fees by Kanu to its shareholders;
- issue any shares, securities or options for shares in the issued share capital of Kanu;
- repay any loans advanced to Kanu by its shareholders;
- make any material change to the nature of Kanu’s business;
- make any material change to the nature of the business of any company within the Kanu group or the jurisdiction where it is managed and controlled;
- surrender or agree to any material change in the terms of any substantial supply or distribution agreement which provides for a material participation in the profits of the Kanu group;
- other than as required in terms of any applicable law, permit any company within the Kanu group to cease, or propose to cease, to carry on its business or permit any company within the Kanu group or its directors (or any one of them) to take any step to wind up such Kanu group company, save where it is insolvent (within the meaning of any applicable law);
- do any act or thing outside the ordinary course of the business carried on by it;
- make any change to its auditors, its accounting reference date; or its accounting policies, bases or methods (other than as recommended by the auditors);
- other than as contemplated in any of the Transaction Agreements, permit or cause to be proposed any increase, reduction, repayment, purchase or re-purchase, sub-division, consolidation, or other alteration to the share capital of any Kanu group company (including any increase or removal of the limit on the number of shares that may be allotted by Kanu) or the rights attaching to its shares or waive any right to receive payment on any of its shares issued partly paid;

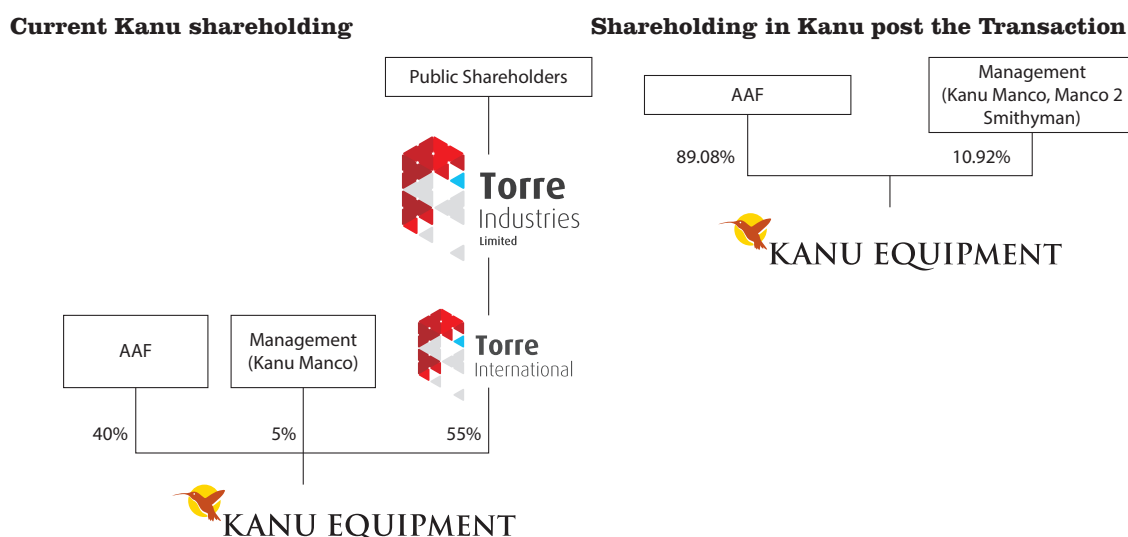
- other than as contemplated in any of the Transaction Agreements, create, allot, issue, buy-in or redeem any share or loan capital (other than in accordance with the terms of any loan capital existing as at the Completion Date) or grant or agree to grant any right to require the allotment or issue of any such shares or securities or options or warrants for the issue of any share or loan capital or issue any securities convertible into shares, or establish any employee incentive scheme;
- shall not enter into a transaction to merger with any business or dispose of any existing business other than as expressly permitted in the Loan Agreement;
- other than as contemplated in any of the Transaction Agreements, permit or cause to be proposed any amendment to the constitution of any Kanu group company that could impact on Kanu's ability to repay the Consolidated Loan and the Vendor Loan;
- shall not incur or allow to remain outstanding any guarantee in respect of any obligation of any person other than as contemplated and permitted in the Loan Agreement;
- negotiate or permit the disposal of shares in any Kanu group company;
- other than as required in terms of any applicable law, permit any Kanu group company or its directors (or any one of them) to take any step to place such Kanu group company into administration (whether by the filing of an administration application, a notice of intention to appoint an administrator or a notice of appointment), permit any Kanu group company or its directors to propose or enter into any arrangement, scheme, moratorium, compromise or composition with its creditors, or permit any Kanu group company or its directors to invite the appointment of a receiver or administrative receiver over all or any part of such company's assets or undertaking, in each case within the meaning of any applicable law;
- enter into any transaction or make any payment with any connected party (including charging of any inter-company fees including, but not limited to, management fees, rent and royalty fees) or otherwise than on an arm's length basis for the benefit of any Kanu group company;
- enter into or vary any unusual or onerous contract;
- make any gifts, charitable donations or political donations above USD25 000 in aggregate per annum; or
- other than where expressly contemplated by the Transaction Agreements, enter into or vary any transaction or arrangement with, or for the benefit of any of its directors or shareholders or any other person who is a connected person with any of its directors or shareholders.

For the avoidance of doubt, election by Kanu to extend the Final Repayment Date to the Termination Date shall not constitute an Event of Default.

In addition, for as long as any amount remains outstanding under the Consolidated Loan and Vendor Loan, AAF shall not sell or otherwise dispose of, or in any way encumber, any of the AAF Subscription Shares, other than as contemplated in terms of the Transaction Agreements.

6.6 Transaction diagram

For ease of reference, a diagram setting out the shareholding of Kanu prior and pursuant to the Kanu Disposal (following the series of indivisible steps) is set out below.



7. IRREVOCABLE UNDERTAKINGS

Torre has received irrevocable undertakings from Torre shareholders holding approximately 80% of the votes exercisable and entitled to vote, to vote in favour of the Kanu Disposal and related resolutions to be proposed at the General Meeting in respect of its entire shareholding in Torre. The details of the shareholders who provided irrevocable undertakings are as follows:

Name of shareholder	Number of Torre shares	% holding[#]
Stellar Capital Partners Limited	290 769 613	55.36
MIC Investment Holdings Proprietary Limited	66 464 571	12.65
Sabvest group*	62 200 000	11.84
Total	419 434 184	79.85

*Sabvest group comprises Sabvest Finance and Guarantee Corporation Proprietary Limited and Sabvest Investments Proprietary Limited.

[#]Based on 525 267 105 Torre shares in issue, prior to the Specific Repurchase.

8. HISTORICAL FINANCIAL INFORMATION

- 8.1 In terms of the Listings Requirements the historical consolidated financial information of Kanu and its subsidiaries for the financial years ended 30 June 2016 and 30 June 2015 and the interim financial period ended 31 December 2016 is set out in Annexure 3 and 4 to this Circular.
- 8.2 The Independent Reporting Accountant's reports on the historical financial information of Kanu and its subsidiary companies for the financial years ended 30 June 2016 and 30 June 2015 and the interim financial period ended 31 December 2016 is set out in Annexure 5 to this Circular.
- 8.3 In accordance with sections 11.61 and 11.62 of the Listings Requirements, the historical financial information of Torre for the years ended 30 June 2016, 30 June 2015 and 30 June 2014 and the interim period ended 31 December 2016 can be accessed on the Company's website at www.torreindustries.com and is also available for inspection at the registered office of the Company and its sponsor by shareholders and/or prospective investors at no charge, during normal office hours from Friday, 5 May 2017 until Tuesday, 6 June 2017.

9. PRO FORMA FINANCIAL EFFECTS OF THE KANU DISPOSAL INCLUDING THE SPECIFIC REPURCHASE

- 9.1 The table below sets out the *pro forma* financial effects of the Kanu Disposal and Specific Repurchase on Torre.
- 9.2 The *pro forma* consolidated statement of comprehensive income for the interim period ended 31 December 2016 and *pro forma* consolidated statement of financial position at 31 December 2016 have been prepared for illustrative purposes only, based on current information available to management, in order to show the financial effects of the Kanu Disposal on the financial results and position of the Company. Due to its nature, the *pro forma* financial information may not fairly present the Company's financial position, changes in equity and results of operations or cash flows after the Kanu Disposal, and are based on the assumptions that:
- 9.2.1 for the purpose of calculating earnings per share and headline earnings per share, the Kanu Disposal including the Specific Repurchase was implemented on 1 July 2016; and
- 9.2.2 for the purpose of calculating net asset value per share and net tangible asset value per share, the Kanu Disposal including the Specific Repurchase was implemented on 31 December 2016.
- 9.3 The *pro forma* financial information has been prepared using the most recent unaudited financial period of the Company for the interim period ended 31 December 2016 in terms of the Listings Requirements and guidelines issued by the South African Institute of Chartered Accountants.
- 9.4 The accounting policies of Torre have been used in calculating the *pro forma* financial effects. The accounting policies used are consistent with previous accounting policies used by Torre and the accounting policies herein have been applied on the same basis.

- 9.5 The directors of the Company are responsible for the preparation of the *pro forma* financial information contained in this Circular.
- 9.6 The detailed *pro forma* financial information and notes thereto as a result of the Kanu Disposal are contained in Annexure 1 to this Circular. The Independent Reporting Accountants' limited assurance report on the *pro forma* financial information is set out in Annexure 2 to this Circular.

	Before	Re- purchase Adjust- ments	Kanu Disposal Con- tinuing Adjust- ments	Kanu Disposal Once-Off Adjust- ments	After	Change (%)
Aggregate						
Earnings per share (cents)	3.27	0.07	(2.42)	3.61	4.53	39
Diluted earnings per share (cents)	3.25	0.07	(2.40)	3.58	4.50	38
Continuing operations						
Earnings per share (cents)	0.59	–	–	3.61	4.20	611
Diluted earnings per share (cents)	0.59	–	–	3.58	4.17	607
Discontinued operations						
Earnings per share (cents)	2.68	0.07	(2.42)	–	0.33	(88)
Diluted earnings per share (cents)	2.66	0.07	(2.40)	–	0.33	(88)
Aggregate						
Headline earnings per share (cents)	3.65	0.08	(2.41)	(0.08)	1.24	(66)
Diluted headline earnings per share (cents)	3.63	0.08	(2.39)	(0.08)	1.24	(66)
Continuing operations						
Headline earnings per share (cents)	0.97	–	–	(0.08)	0.89	(9)
Diluted headline earnings per share (cents)	0.97	–	–	(0.08)	0.89	(9)
Discontinued operations						
Headline earnings per share (cents)	2.68	0.08	(2.41)	–	0.35	(87)
Diluted headline earnings per share (cents)	2.66	0.08	(2.39)	–	0.35	(87)

	Before	Re-purchase Adjustments	Kanu Disposal Continuing Adjustments	Kanu Disposal Once-Off Adjustments	After	Change (%)
Aggregate						
Normalised headline earnings per share (cents)	7.46	0.16	(2.32)	(0.08)	5.21	(30)
Diluted normalised headline earnings per share (cents)	7.41	0.16	(2.31)	(0.08)	5.18	(30)
Continuing operations						
Normalised headline earnings per share (cents)	4.75	–	–	(0.08)	4.67	(2)
Diluted normalised headline earnings per share (cents)	4.75	–	–	(0.08)	4.67	(2)
Discontinued operations						
Normalised headline earnings per share (cents)	2.68	0.16	(2.32)	–	0.52	(81)
Diluted normalised headline earnings per share (cents)	2.66	0.16	(2.31)	–	0.51	(81)
Weighted average number of shares in issue ('m)	525	(11)	–	–	514	(2)
Diluted weighted average number of shares in issue ('m)	529	(11)	–	–	518	(2)
Number of shares in issue ('m)	525	(11)	–	–	514	(2)
Net asset value per share (cents)	262.00	–	2.64	–	264.64	1
Net tangible asset value per share (cents)	122.00	–	26.18	–	148.18	21

Notes and assumptions:

- In respect of the financial effects based on the six-month period ended 31 December 2016, the amounts set out in the "Before" column have been extracted from the unaudited interim financial statements of Torre as at 31 December 2016.
- The subsequent event relating to the subscription for an additional 4% of the shares in Kanu amounting to R34 million (USD2.3 million) in August 2016 has been taken into account through an increase in cash and related increase in non-controlling interests in equity.
- For balance sheet purposes, the Kanu Disposal takes place on 31 December 2016 and the assets and liabilities of this group component are removed and replaced with cash and vendor receivable proceeds. For income statement purposes, the Kanu Disposal takes place on 1 July 2016 and as a result the financial results for this component for the interim period ended 31 December 2016 are removed from the statement of comprehensive income of Torre for the period ended 31 December 2016.
- The proceeds on the Kanu Disposal in terms of the agreement is as follows:
 - USD11.775 million (ZAR161 779 080 at the ZAR Equivalent) cash proceeds effectively received as of 31 December 2016 and 1 July 2016.
 - USD8.082 million (ZAR111 047 084 at the ZAR Equivalent) vendor loan at 7.5% per annum compounded monthly (to be settled around one year hence in accordance with the agreement). Interest on this vendor receivable is recognised for the period ended 31 December 2016 on a *pro forma* basis for income statement purposes.
 - USD5.7 million (ZAR78 526 549 at the ZAR Equivalent) Consolidated Loan at 7.5% per annum compounded monthly with USD1.725 to be settled in cash up front and the remainder to be settled around one year hence in accordance with the agreement;
 - 11 070 000 Torre shares based on a fair value of R1.75 for the designated Specific Repurchase equating to a transaction value of R19.37 million for balance sheet purposes and on a fair value of R3.07 for the designated Specific Repurchase equating to a transaction value of R22.91 million for income statement purposes.

5. For balance sheet purposes, the FCTR of R124 million is realised in the course of the disposal in terms of the direct method of accounting for such disposals of foreign operations.
6. For income statement purposes, based on the proceeds and taking into account the net asset value of Kanu as of 1 July 2016, the profit on disposal is Rnil based on a determined net asset value of the business of R571 million. The FCTR of R19 million as of 1 July 2016 is realised in the course of the disposal in terms of the direct method of accounting for such disposals of foreign operations. As the sale proceeds are based on the same amount at 1 July 2016 as that used at 31 December 2016 and the group net asset values have not been adjusted for the subsequent capital transactions in respect of Kanu as well as the business combinations and resulting increase in net assets from trading, the profit on disposal is significantly more than the profit that was recognised had the transaction taken place at 31 December 2016.
7. The Kanu Disposal results in additional transaction expenses for Torre to an estimate of R1 million.
8. There are no capital gains tax implications relating to the disposal by Torre International.
9. ZAR Equivalent assumption used was the same as that applied for the consolidated financial statements of Torre as at 31 December 2016 being USD1:ZAR13.7392 and at 30 June 2016 being USD1:ZAR14.7737.
10. Interest income on the Vendor Loan is calculated at 7.5% per annum compounded monthly.
11. No adjustment is taken into account for a reduction in interest costs as there is no committed decision by Torre to repay existing debt. As of 1 July 2016, the group had no external borrowings.
12. Continuing effects relate to the deconsolidation of Kanu and its subsidiaries as well as interest income (R4 million) on the vendor loan as per the arrangement of the disposal.
13. Once-off effects relate to the profit on sale of Kanu and transaction expenses.
14. There are no other subsequent events, other than as described above, which need to be considered for the *pro forma* financial effects.

10. SALIENT INFORMATION ON TORRE

Torre is a JSE-listed industrial group that specialises in the value added distribution of branded capital equipment and industrial consumable products, as well as the provision of specialised financial solutions to a diversified customer base across several end-markets including automotive, mining, oil and gas, construction, manufacturing and agricultural.

11. DIRECTORS' INTERESTS IN SECURITIES

11.1 The direct and indirect beneficial interests of the directors and their associates, including any directors who have resigned during the last 18 months, in Torre shares as at the Last Practicable Date are set out in the table below:

Director	Beneficial		Total	Total % ⁴
	Direct	Indirect		
Executive directors				
JT Botes	-	-	-	-
S Mansingh	-	-	-	-
CE Pettit	-	-	-	-
Non-executive directors				
CS Seabrooke ¹	-	62 200 000	62 200 000	11.84
MM Ngoasheng ²	-	17 484 325	17 484 325	3.33
PJ van Zyl	-	-	-	-
LE Bakoro	-	-	-	-
MS Bomela	-	-	-	-
N Khaole	-	-	-	-
SR Midlane ³	-	-	-	-
Total	-	79 684 325	79 684 325	15.17

Notes:

1. 62 200 000 shares held by subsidiaries of Sabvest Limited in which the Seabrooke Family Trust has a 69.531% voting and 32.6% economic interest.
2. 16 954 105 shares held by Safika Holdings Proprietary Limited in which MM Ngoasheng holds a 28.4% economic interest and 530 220 shares held in Modidima Ventures Proprietary Limited.
3. Resigned as director on 17 October 2016.
4. Based on 525 267 105 Torre shares in issue prior to the Specific Repurchase.

11.2 Information relating to the directors' dealings in securities for the period from the last preceding financial year to the Last Practicable Date was published on SENS in accordance with sections 3.63 to 3.74 of the Listings Requirements. For ease of reference, these are detailed as follows:

Ordinary Shares

Director	Nature	Date (2016)	Price	Number of shares traded/ awards
SR Midlane ¹	Sold	28 June	R1.70	20 000
CE Pettit	Mandatory offer	14 October	R1.66	1 101 663
PJ van Zyl	Mandatory offer	14 October	R1.66	96 240
Associate of MM Ngoasheng ³	Mandatory offer	14 October	R1.66	39 000 000
Associate of CS Seabrooke ²	Purchase	21 October	R1.79	200 000
Associate of CS Seabrooke ²	Purchase	19 October	R1.89	33 645
Associate of MM Ngoasheng ³	Purchase	19 October	R1.86	125 000
JT Botes ⁴	Conditional Share awards	13 December	R1.90	1 252 632
S Mansingh ⁴	Conditional Share awards	13 December	R1.90	807 500

Notes:

1. Resigned as director on 17 October 2016.
2. By subsidiaries of Sabvest Limited in which the Seabrooke Family Trust has a 69.531% voting and 32.6% economic interest.
3. By Safika Holdings Proprietary Limited in which MM Ngoasheng holds a 28.4% economic interest and 530 220 shares held in Modidima Ventures Proprietary Limited.
4. Conditional Shares awards were granted and accepted on 13 December 2016 that will vest on 13 December 2019 provided certain performance and retention conditions have been met.

12. DIRECTORS' INTERESTS IN TRANSACTIONS

None of the directors of Torre will benefit directly or indirectly as a consequence of the Kanu Disposal. None of the directors has or had any material interest, direct or indirect, in any transactions that were effected by Torre during the current or immediately preceding financial year or during any earlier year and which remain in any respect outstanding or unperformed.

13. DIRECTORS' AND MANAGEMENT REMUNERATION

13.1 Torre shareholders are referred to the full Integrated Annual Report, containing the audited financial statements of the Company and the group for the year ended 30 June 2016 and which can be found on the Company's website at www.torreindustries.com.

13.2 The remuneration receivable by the directors of Torre will not be varied in consequence of the Kanu Disposal.

14. MATERIAL AND SERVICE CONTRACTS

14.1 Material contracts for Torre

There are no known material contracts entered into by Torre or any of its subsidiaries over the past two years preceding the date of this Circular, save for the material contracts and Kanu Disposal detailed in Annexure 6 to the Circular.

Neither Torre nor any of its subsidiaries have entered into any agreement at any time which contains an obligation or settlement that is material to the Company or its subsidiaries at the date of this Circular. In addition, neither has Torre nor any of its subsidiaries entered into any agreements regarding restraint payments or technical fees.

14.2 Material contracts for Kanu

There are no known material contracts entered into by Kanu or any of its subsidiaries over the past two years preceding the date of this Circular, save for the material contracts and Kanu Disposal detailed in Annexure 6 to the Circular.

Neither Kanu nor any of its subsidiaries have entered into any agreement at any time which contains an obligation or settlement that is material at the date of this Circular save for the material contracts detailed in Annexure 6 to the Circular. In addition, neither has Kanu nor any of its subsidiaries entered into any agreements regarding restraint payments or technical fees.

14.3 Directors' service contracts

There are no service contracts in place in respect of the executive directors and non-executive directors of the Company nor of Kanu.

14.4 Other service contracts

Sean Graham was appointed as Company Secretary to Torre with effect from April 2014. Kanu has not entered into or amended service contracts within the six-month period prior to the Last Practicable Date.

15. MAJOR BENEFICIAL SHAREHOLDERS

15.1 Shareholders beneficially holding more than 5% of the total issued share capital of the Company (excluding shares held in treasury), directly or indirectly, prior to the implementation of the Kanu Disposal are as follows:

Shareholder	Number of shares held	% of issued share capital of Torre*
Stellar Capital Partners Limited	292 041 414	55.60
MIC Investment Holdings Proprietary Limited	66 464 571	12.65
Sabvest group*	62 200 000	11.84
Total	420 705 985	80.09

*Sabvest group comprises Sabvest Finance and Guarantee Corporation Proprietary Limited and Sabvest Investments Proprietary Limited.

*Based on 525 267 105 Torre shares in issue prior to the Specific Repurchase.

15.2 There will be no change to the shareholders beneficially holding more than 5% of the total issued share capital of the Company after implementation of the Kanu Disposal.

15.3 The information included in this paragraph 15 is based on the share register of the Company as per Strate and Link as at 31 March 2017.

15.4 Stellar Capital Partners Limited is the controlling shareholder of Torre as defined in the Listings Requirements. Other than Torre currently having a controlling shareholder, insofar as it is known to the directors of Torre, there have been no other controlling shareholders or changes therein since incorporation.

16. SHARE CAPITAL

16.1 The authorised and issued share capital, before and after the Kanu Disposal and Specific Repurchase, as at the Last Practicable Date, is shown below:

Share capital before the Kanu Disposal and Specific Repurchase	Number of shares	Stated capital (ZAR)
Authorised share capital		
1 000 000 000 ordinary shares of no par value	1 000 000 000	–
Issued share capital		
Ordinary shares of no par value	525 267 105	1 319 000 000
Treasury shares	Nil	Nil
Total net issued share capital	525 267 105	1 390 125 889
Share capital after the Kanu Disposal and Specific Repurchase		
Authorised share capital		
1 000 000 000 ordinary shares of no par value	1 000 000 000	–
Issued share capital		
Ordinary shares of no par value	525 267 105	1 319 000 000
Repurchased shares cancelled	11 070 000	19 000 000
Total net issued share capital	514 197 105	1 300 000 000

17. MATERIAL CHANGES

17.1 There have been no material changes in the financial or trading position of the Torre group since Torre published its unaudited results for the six-month period ended 31 December 2016 and the Last Practicable Date.

17.2 Other than the change of Kanu's shareholding due to AAF subscribing for 40% of Kanu in June 2016, there have been no material changes in the financial or trading position of the Kanu group since its most recent financial year ended 30 June 2016 and the interim financial period ended 31 December 2016 and the Last Practicable Date.

18. LITIGATION STATEMENT

In terms of section 7.D.11 of the Listings Requirements, the directors of Torre and the directors of Kanu respectively, are not aware of any legal or arbitration proceedings, including any proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous 12 months, a material effect on the Torre group's or Kanu group's financial position respectively.

19. EXCHANGE CONTROL REGULATIONS

There are no exchange control implications relevant to the Kanu Disposal and Specific Repurchase.

20. DETAILS OF MATERIAL BORROWINGS OF TORRE AND KANU

As at the Last Practicable Date neither Torre nor any of its subsidiaries in the Torre group nor the Kanu group have any material borrowings, save for those set out in Annexure 7 to the Circular.

21. ADEQUACY OF WORKING CAPITAL

21.1 The directors of Torre have considered the impact of the Kanu Disposal and are of the opinion that:

21.1.1 the Torre group, as reduced by the Kanu Disposal, will be able, in the ordinary course of business, to pay its debts for a period of 12 months after the date of approval of this Circular;

21.1.2 the assets of the Torre group as reduced by the Kanu Disposal, will be in excess of its liabilities for a period of not less than 12 months after the date of approval of this Circular, where for this purpose, the assets and liabilities are recognised and measured in accordance with the accounting policies used in the latest audited consolidated annual financial statements of the Company;

21.1.3 the share capital and reserves of the Torre group as reduced by the Kanu Disposal, will be adequate for ordinary business purposes for a period of not less than 12 months after the date of approval of this Circular; and

21.1.4 the working capital of the Torre group as reduced by the Kanu Disposal, will be adequate for ordinary business purposes for a period of not less than 12 months after the date of approval of this Circular.

22. EXPENSES

22.1 The estimated Torre expenses in respect of the Kanu Disposal (exclusive of VAT), including fees payable to professional advisers, are as follows:

Description	Name	ZAR
Sponsor	RMB	100 000
Legal advisers	Cliffe Dekker	200 000
Reporting accountants' reports	Deloitte	350 000
Printing, publication and distribution expenses	Ince	140 000
JSE documentation fees	JSE	78 105
Contingency and sundry	Other	131 895
Total		1 000 000

22.2 The estimated Kanu expenses in respect of the Kanu Disposal (exclusive of VAT), including fees payable to professional advisers, are as follows:

Description	Name	USD	ZAR*
Arrangement and management fees	Phatisa	539 860	7 417 245
Management fees	Torre International Holdings Limited	110 000	1 511 312
Annual fee	Torre	60 000	824 352
Total		709 860	9 752 909

*At the ZAR Equivalent.

23. ADVISERS' CONSENTS

23.1 The advisers whose names appear in the section "Corporate Information and Advisers" on the inside front cover of this Circular have all consented in writing to act in the capacities stated in this Circular and to their names being stated in this Circular and, in the case of the reporting accountants, reference to their reports in the form and context in which they appear, and have not withdrawn their consent prior to the publication of this Circular.

24. DIRECTORS' RESPONSIBILITY STATEMENT

24.1 The directors, whose names are set out on page 11 of this Circular, collectively and individually accept full responsibility for the accuracy of the information given in this Circular in relation to Torre and certify that, to the best of their knowledge and belief, no facts have been omitted which would make any statement in this Circular false or misleading, that all reasonable enquiries to ascertain such facts have been made and that this Circular contains all information required by law and the Listings Requirements.

25. GENERAL MEETING

The resolutions necessary to implement the Kanu Disposal, as detailed in the Circular, will be put to a vote at the General Meeting to be held at 11 Avalon Road, West Lake View, Ext 11, Modderfontein, Johannesburg at 09:30 on Tuesday, 6 June 2017, or on any other date to which it may be postponed or adjourned.

26. DOCUMENTS AVAILABLE FOR INSPECTION

26.1 The following documents, or copies thereof, will be available for inspection by shareholders at Torre's registered office and the offices of the Company's sponsor (the address of which appears in the section "Corporate Information and Advisers" on the inside front cover of this Circular) during normal office hours from Friday, 5 May 2017 to Tuesday, 6 June 2017:

26.1.1 a signed copy of this Circular;

26.1.2 the Memoranda of Incorporation of Torre and its major subsidiaries;

26.1.3 the material contracts referred to in Annexure 6 of the Circular;

26.1.4 historical financial information of Torre and Kanu as referred to in paragraph 8 of this Circular;

26.1.5 the Independent Accountant's reports on both the *pro forma* financial information of the Kanu Disposal and the historical financial information of Kanu;

26.1.6 the signed consent letters of the advisers referred to in paragraph 23 of this Circular;

26.1.7 service contracts as detailed in paragraphs 14 of this Circular;

26.1.8 the Irrevocable Undertakings;

26.1.9 a signed copy of the Omnibus Amended and Restated Agreement and the Specific Repurchase Agreement; and

26.1.10 signed copies of the Other Transaction Documents, to the extent that these are concluded and signed prior to the date of the General Meeting.

SIGNED AT JOHANNESBURG ON BEHALF OF THE BOARD ON 24 APRIL 2017 IN TERMS OF A RESOLUTION OF THE FULL BOARD OF DIRECTORS.

By order of the Board

Torre Industries Limited
Johan Botes
Chief Executive Officer

24 April 2017

PRO FORMA FINANCIAL EFFECTS OF THE KANU DISPOSAL

1. The table below sets out the *pro forma* financial effects of the Kanu Disposal on Torre.
2. The *pro forma* condensed consolidated statement of comprehensive income for the six-month period ended 31 December 2016 and *pro forma* condensed consolidated statement of financial position at 31 December 2016 have been prepared for illustrative purposes only, based on current information available to management, in order to show the financial effects of the Kanu Disposal on the financial results and position of the Company. Due to its nature, the *pro forma* financial information may not fairly present the Company's financial position, changes in equity and results of operations or cash flows after the Kanu Disposal, and are based on the assumptions that:
 - a. for the purpose of calculating earnings per share and headline earnings per share, the Kanu Disposal including the Specific Repurchase was implemented on 1 July 2016; and
 - b. for the purpose of calculating net asset value per share and net tangible asset value per share, the Kanu Disposal including the Specific Repurchase was implemented on 31 December 2016.
3. The *pro forma* financial information has been prepared and reviewed using the most recent financial period of the Company for the six-month period ended 31 December 2016 in terms of the Listings Requirements and guidelines issued by the South African Institute of Chartered Accountants.
4. The accounting policies of Torre have been used in calculating the *pro forma* financial effects. The accounting policies used are in terms of IFRS and consistent with previous accounting policies used by Torre and the accounting policies herein have been applied on the same basis.
5. The directors of the Company are responsible for the preparation of the *pro forma* financial information contained in this Circular.

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF TORRE FOR THE PERIOD ENDED 31 DECEMBER 2016

The *pro forma* condensed consolidated statement of comprehensive income set out below presents the *pro forma* financial effects on the unaudited interim results of Torre for the six-month period ended 31 December 2016 based on the assumption that the Kanu Disposal and Specific Repurchase was effective on 1 July 2016.

Condensed Consolidated Statement of Comprehensive Income

For the period ended 31 December R'm	Before 2016	Re- purchase adjust- ments 2016	Kanu Disposal adjustments		After 2016
			Contin- uing 2016	Once-off 2016	
Revenue	802	-	-	-	802
Cost of sales	(514)	-	-	-	(514)
Gross profit	288	-	-	-	288
Other income	-	-	-	-	-
Operating expenses	(244)	-	-	(1) ²	(245)
Operating profit	44	-	-	(1)	43
Impairment of assets	(2)	-	-	-	(2)
Retrenchment, closure and start-up costs	(25)	-	-	-	(25)
Net operating profit					
Finance income	4	-	4 ¹⁴	-	8
Finance costs	(13)	-	-	-	(13)
Profit before taxation	8	-	4	(1)	12
Taxation	(5)	-	-	-	(5)
Profit after taxation	3	-	4	-	7
Profit from discontinued operations	26	-	(32) ¹⁴	19	13
Profit for the period	29	-	(28)	19	20
Other comprehensive income/(loss):					
Items that may be reclassified through profit or loss	-	-	-	-	-
Foreign currency translation movements	(70)	-	43 ¹⁴	(19) ⁷	(46)
Interest rate hedge fair value adjustment	-	-	-	-	-
Total comprehensive income for the period	(41)	-	15	-	(26)
Profit attributable to:					
Ordinary shareholders of the group	17	-	(13)	10	14
- Continuing operations	3	-	4 ¹⁴	-	7
- Discontinued operations	14	-	(17) ¹⁴	10	7
Non-controlling interest	12	-	(15)	9	6
- Continuing operations	-	-	-	-	-
- Discontinued operations	12	-	(15) ¹⁴	9	6
Total comprehensive income attributable to:					
Ordinary shareholders of the group	(40)	-	11 ¹⁴	-	(30)
Non-controlling interest	(1)	-	5 ¹⁴	-	4
	(41)	-	15	-	(26)
Reconciliation of net operating profit/(loss) to EBITDA					
Net operating profit	17	-	-	(1) ²	16
Depreciation and amortisation	21	-	-	-	21
Impairment of property, plant and equipment	2	-	-	-	2

For the period ended 31 December R'm	Before 2016	Re- purchase adjust- ments 2016	Kanu Disposal adjustments		After 2016
			Contin- uing 2016	Once-off 2016	
EBITDA	40	-	-	(1)	39
Retrenchment costs	25	-	-	-	25
Closure of operations	-	-	-	-	-
Start-up costs	-	-	-	-	-
Normalised EBITDA from continuing operations	65	-	-	(1)	64
Discontinued operations	40	-	(48)¹⁴	-	(8)
Normalised EBITDA	105	-	(48)	(1)	57
Reconciliation of attributable earnings to headline earnings					
Profit attributable to ordinary shareholders	17	-	(13) ¹⁴	19 ⁷	23
FCTR gain reclassified from OCI	-	-	-	(19) ⁷	(19)
Impairment of property, plant and equipment	2	-	-	-	2
Headline earnings attributable to ordinary shareholders	19	-	(13)	-	6
Retrenchment costs	18	-	-	-	18
Amortisation of intangible assets raised at acquisition	2	-	-	-	2
Normalised headline earnings attributable to ordinary shareholders	39	-	(13)	-	26
- Continuing operations	25	-	-	-	25
- Discontinued operations	14	-	(13)	-	1
Weighted average number of shares in issue ('m)	525	(11) ^{5.4}	-	-	514
Diluted weighted average number of shares in issue ('m)	529	(11) ^{5.4}	-	-	518
Aggregate:					
Earnings per share (cents)	3.27	0.07	(2.42)	3.61	4.53
Diluted earnings per share (cents)	3.25	0.07	(2.40)	3.58	4.50
Continuing operations					
Earnings per share (cents)	0.59	-	-	3.61	4.20
Diluted earnings per share (cents)	0.59	-	-	3.58	4.17
Discontinued operations					
Earnings per share (cents)	2.68	0.07	(2.42)	-	0.33
Diluted earnings per share (cents)	2.66	0.07	(2.40)	-	0.33
Aggregate:					
Headline earnings per share (cents)	3.65	0.08	(2.41)	(0.08)	1.24
Diluted headline earnings per share (cents)	3.63	0.08	(2.39)	(0.08)	1.23
Continuing operations					
Headline earnings per share (cents)	0.97	-	-	(0.08)	0.89
Diluted headline earnings per share (cents)	0.97	-	-	(0.08)	0.89
Discontinued operations					
Headline earnings per share (cents)	2.68	0.08	(2.41)	-	0.35
Diluted headline earnings per share (cents)	2.66	0.08	(2.39)	-	0.35

For the period ended 31 December R'm	Before 2016	Re- purchase adjust- ments 2016	Kanu Disposal adjustments		After 2016
			Contin- uing 2016	Once-off 2016	
Aggregate:					
Normalised headline earnings per share (cents)	7.46	0.16	(2.32)	(0.08)	5.21
Diluted normalised headline earnings per share (cents)	7.41	0.16	(2.31)	(0.08)	5.18
Continuing operations					
Normalised headline earnings per share (cents)	4.75	–	–	(0.08)	4.67
Diluted normalised headline earnings per share (cents)	4.75	–	–	(0.08)	4.67
Discontinued operations					
Normalised headline earnings per share (cents)	2.68	0.16	(2.32)	–	0.52
Diluted normalised headline earnings per share (cents)	2.66	0.16	(2.31)	–	0.51
Interim dividend per share (cents)	–	–	–	–	–
Final dividend per share (cents)	–	–	–	–	–

Notes and assumptions:

- In respect of the financial effects based on six-month period ended 31 December 2016, the amounts set out in the "Before" column have been extracted from the unaudited financial statements of Torre for the six-month period ended 31 December 2016.
- The Kanu Disposal results in additional once-off transaction expenses for Torre to an estimate of R1 million.
- The Torre share price with regards to the Specific Share Repurchase is based on the market value of the Torre share at 1 July 2016 of R2.07 per share.
- The disposal of the remaining 55% of Kanu takes place on 1 July 2016 and as a result the financial results for this component for the financial period ended 31 December 2016 are removed from the statement of comprehensive income of Torre for the period ended 31 December 2016.
- The proceeds on the Kanu Disposal in terms of the agreement is as follows:
 - USD11.775 million (ZAR174 million at the ZAR equivalent) cash proceeds effectively received as of 1 July 2016;
 - USD8.082 million (ZAR119 million at the ZAR equivalent) Vendor Loan at 7.5% per annum compounded monthly, to be settled around 1 year hence in accordance with the agreement, and as such interest on this vendor receivable recognised for the period ended 31 December 2016 on a *pro forma* basis;
 - USD5.7 million (ZAR79 million at the ZAR equivalent) Consolidated Loan at 7.5% per annum compounded monthly with USD1.725 million (ZAR23 million at the ZAR equivalent) to be settled in cash up front and the remainder to be settled around one year hence in accordance with the agreement; and
 - 11 070 000 Torre shares based on a fair value of R2.07 for the designated Specific Repurchase equating to a transaction value of R23 million. This specific repurchase is based on a cash consideration payable of R1.
- Based on the proceeds and taking into account the net asset value of Kanu as of 1 July 2016, the profit on disposal is Rnil based on a determined net asset value of the business of R571 million.
- The FCTR of R19 million as of 1 July 2016 is realised in the course of the disposal in terms of the direct method of accounting for such disposals of foreign operations.
- As the sale proceeds are based on the same amount at 1 July 2016 as that used at 31 December 2016 and the group net asset values have not been adjusted for the subsequent capital transactions in respect of Kanu as well as the business combinations and resulting increase in net assets from trading, the profit on disposal is significantly more than the profit that was recognised had the transaction taken place at 31 December 2016.
- Interest income on the Vendor Loan and the Consolidated Loan is calculated at 7.5% per annum compounded monthly.
- No adjustment is taken into account for a reduction in interest costs using disposal proceeds as there is no committed decision by Torre to repay existing debt. As of 1 July 2016, the group had no external borrowings.
- There are no capital gain tax implications relating to the disposal by Torre International.
- ZAR Equivalent assumption used for the transaction at 1 July 2016 was the same as that applied for the consolidated financial statements of Torre as at 30 June 2016 being USD1:ZAR14.7737.
- Reversal of the foreign currency translation movement for the period relating to the Kanu group.
- Continuing effects relate to the deconsolidation of Kanu and its subsidiaries as part of discontinued operations, as well as interest income (R4 million) on the Vendor Loan as per the arrangement of the disposal.
- Once-off effects relate to transaction expenses on the sale of Kanu.

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF TORRE AT 31 DECEMBER 2016

The *pro forma* condensed consolidated statement of financial position set out below presents the *pro forma* financial effects on the unaudited financial position of at 31 December 2016 based on the assumption that the Kanu Disposal and Specific Repurchase was effective on 31 December 2016.

Condensed Consolidated Statement of Financial Position
as at 31 December

R'm	Before 2016	Kanu Disposal adjust- ments 2016	Repur- chase adjust- ments 2016	After 2016
ASSETS				
Non-current assets				
Property, plant and equipment	101	–	–	101
Rental assets	110	–	–	110
Goodwill	462	–	–	462
Intangible assets	134	–	–	134
Investment in associates	56	(48) ⁵	–	8
Deferred tax	35	–	–	35
Finance leases	24	–	–	24
Vendor loan receivable	–	166 ^{4,3}	–	166
Other financial assets	1	–	–	1
	923	118	–	1 041
Current assets				
Inventories	380	–	–	380
Trade and other receivables	235	–	–	235
Cash and cash equivalents	37	185 ⁶	–	222
Other financial assets	8	–	–	8
	660	185	–	845
Non-current assets held-for-sale	798	(778)⁷	–	20
Total assets	2 381	(474)	–	1 907

R'm	Before 2016	Kanu Disposal adjust- ments 2016	Repur- chase adjust- ments 2016	After 2016
EQUITY AND LIABILITIES				
Equity				
Equity attributable to owners of the company	1 373	(15)	–	1 358
Non-controlling interest	217	(211) ⁸	–	6
Total equity	1 590	(227)	–	1 363
Stated capital	1 319	–	(19) ^{4.4}	1 300
Foreign currency translation reserve	(37)	24 ⁹	–	(13)
Other reserves	15	–	–	15
Retained income	76	(39) ¹⁰	19 ^{4.4}	56
	1 373	(15)	–	1 358
Non-current liabilities				
Interest-bearing borrowings	116	–	–	116
Deferred purchase consideration	–	–	–	–
Deferred tax	50	–	–	50
Other financial liabilities	7	–	–	7
	173	–	–	173
Current liabilities				
Trade and other payables	248	–	–	248
Deferred purchase consideration	2	–	–	2
Taxation payable	3	–	–	3
Bank overdraft	61	–	–	61
Interest-bearing borrowings	44	–	–	44
	358	–	–	358
Non-current liabilities held-for-sale	260	(247)⁷	–	13
Total equity and liabilities	2 381	(474)	–	1 907
Number of shares in issue ('m)	525	–	(11) ^{4.4}	514
Net asset value per share (cents)	262	2.64	–	264.64
Net tangible asset value per share (cents)	122	26.18	–	148.18

Notes and assumptions:

1. In respect of the financial effects based on the six-month period ended 31 December 2016, the amounts set out in the "Before" column have been extracted from the consolidated unaudited financial statements of Torre as at 31 December 2016.
2. The Torre share price with regards to the Specific Repurchase is based on the market value of the Torre share at 31 December 2016 of R1.75 per share.
3. The disposal of 55% of Kanu takes place on 31 December 2016 and the assets and liabilities of this group component are removed from non-current assets and liabilities held-for-sale and replaced with cash and vendor receivable proceeds.
4. The proceeds on the Kanu Disposal in terms of the agreement is as follows:
 - 4.1 USD11.775 million (ZAR162 million at the ZAR equivalent) cash proceeds effectively received as of 31 December 2016. This is included under cash and cash equivalents in the adjustments column in the figures presented above;
 - 4.2 USD8.082 million (ZAR112 million at the ZAR equivalent) Vendor Loan at 7.5% per annum compounded monthly (to be settled around one year hence in accordance with the agreement);
 - 4.3 USD5.7 million (ZAR78.5 million at the ZAR equivalent) Consolidated Loan at 7.5% per annum compounded monthly with USD1.725 million (ZAR23 million at the ZAR equivalent) to be settled in cash up front and the remainder to be settled around one year hence in accordance with the agreement. This is included under the vendor finance line under the adjustments column, together with the USD3.5 million (ZAR48 million at the ZAR equivalent) Stellar Equipment Finance cash and debtors, as well as the Torre loan receivable of USD0.441 million (ZAR6 million at the ZAR equivalent);
 - 4.4 11 070 000 Torre shares based on a fair value of R1.75 for the designated Specific Repurchase equating to a transaction value of R19 million. This Specific Repurchase is based on a cash consideration payable of R1.
5. Includes the USD3.5 million (ZAR48 million at the ZAR equivalent) SEF cash and debtors that have been classified as part of the Vendor Loan. This is further reduced by the R1 million transaction expenses relating to the Kanu Disposal.
6. Includes the initial USD11.775 million (ZAR162 million at the ZAR equivalent) cash proceeds, as well as the upfront settlement portion of the vendor loan of USD1.725 million (ZAR23 million at the ZAR equivalent).
7. Adjustment relates to the deconsolidation and removal of the non-current assets and liabilities held-for-sale relating to the Kanu group.
8. Deconsolidation of the non-controlling interest relating to the Kanu group.
9. The FCTR of R24 million is realised in the course of the disposal in terms of the direct method of accounting for such disposals of foreign operations.
10. Deconsolidation of the retained earnings relating to the Kanu group of R39 million, consisting of the negative impact of the realisation of the foreign currency translation reserve of R24 million, transaction costs of R1 million and R14 million loss on disposal.
11. The Kanu Disposal results in additional transaction expenses for Torre to an estimate of R1 million in cash and cash equivalents.
12. There are no capital gain tax implications relating to the disposal by Torre International.
13. Exchange rate assumption used was the same as that applied for the consolidated unaudited financial statements of Torre as at 31 December 2016 being USD1:ZAR13.7392.
14. There are no other subsequent events that require adjustment to the *pro forma* financial information.

**INDEPENDENT REPORTING ACCOUNTANTS' LIMITED ASSURANCE
REPORT ON THE *PRO FORMA* FINANCIAL EFFECTS OF THE KANU
DISPOSAL AND SPECIFIC REPURCHASE**

“28 April 2017

**The Board of Directors
Torre Industries Limited**

11 Avalon Road
West Lake View
Ext 11
Modderfontein
1609
South Africa

Dear Sirs

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF
PRO FORMA FINANCIAL INFORMATION INCLUDED IN A CIRCULAR**

We have completed our assurance engagement to report on the compilation of *pro forma* financial information of Torre Industries Limited group (“the group”) by the directors. The *pro forma* financial information, as set out in paragraph 9 and Annexure 1 of the circular (“the Circular”), to be dated on or about 5 May 2017, consists of the *pro forma* statement of financial position and statement of comprehensive income and related notes. The *pro forma* financial information has been compiled on the basis of the applicable criteria specified in the JSE Limited (JSE) Listings Requirements.

The *pro forma* financial information has been compiled by the directors to illustrate the impact of the corporate action or event, described in Paragraph 6 of the circular, on the group’s financial position as at 31 December 2016 and the group’s financial performance for the period then ended, as if the corporate action or event had taken place at 1 July 2016, being the commencement date of the financial period for the purposes of the statement of comprehensive income and at 31 December 2016, being the last day of the financial period for the purposes of the statement of financial position. As part of this process, information about the group’s financial position and financial performance has been extracted by the directors from the group’s financial statements for the six months ended 31 December 2016.

Directors’ responsibility for the *pro forma* financial information

The directors are responsible for compiling the *pro forma* financial information on the basis of the applicable criteria specified in the JSE Listings Requirements and the guidelines of the South African Institute of Chartered Accountants and described in Paragraph 9 and Annexure 1 of the circular.

Quality control

The firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Independence and other ethical requirements

We have complied with the independence and other ethical requirements of the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code), which is consistent with Parts A and B of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, and is founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Reporting accountants’ responsibility

Our responsibility is to express an opinion about whether the *pro forma* financial information has been compiled, in all material respects, by the directors on the basis specified in the JSE Listings Requirements based on our procedures performed. We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, Assurance Engagements to Report on the Compilation of *Pro Forma* Financial Information Included in a Prospectus which is applicable to an engagement of this

nature. This standard requires that we comply with ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether the *pro forma* financial information has been compiled, in all material respects, on the basis specified in the JSE Listings Requirements.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the *pro forma* financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the *pro forma* financial information.

As the purpose of *pro forma* financial information included in a prospectus is solely to illustrate the impact of a significant corporate action or event on unadjusted financial information of the entity as if the corporate action or event had occurred or had been undertaken at an earlier date selected for purposes of the illustration, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2016 would have been as presented.

A reasonable assurance engagement to report on whether the *pro forma* financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used in the compilation of the *pro forma* financial information provides a reasonable basis for presenting the significant effects directly attributable to the corporate action or event, and to obtain sufficient appropriate evidence about whether:

- the related *pro forma* adjustments give appropriate effect to those criteria; and
- the *pro forma* financial information reflects the proper application of those adjustments to the unadjusted financial information.

Our procedures selected depend on our judgment, having regard to our understanding of the nature of the company, the corporate action or event in respect of which the *pro forma* financial information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the *pro forma* financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the *pro forma* financial information has been compiled, in all material respects, on the basis of the applicable criteria specified by the JSE Listings Requirements and described in Paragraph 9 and Annexure 1 of the circular.

Deloitte & Touche

Registered Auditor

Per: **RC Campbell**

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*MJ Jarvis Chief Operating Officer *GM Pinnock Audit *N Sing Risk Advisory *NB Kader Tax TP
Pillay Consulting S Gwala BPaaS *K Black Clients & Industries *JK Mazzocco Talent & Transformation
*MJ Comber Reputation & Risk *TJ Brown Chairman of the Board

A full list of partners is available on request.

**Partner and Registered Auditor*

HISTORICAL FINANCIAL INFORMATION OF KANU FOR THE INTERIM PERIOD ENDED 31 DECEMBER 2016

These financial statements for the interim period ended 31 December 2016 have been prepared to reflect the condensed consolidated statements of financial position, performance and cash flows of Kanu Equipment Africa (previously Torre Equipment Africa Limited) and referred to as Kanu in this Circular. The interim financial results have been prepared in accordance with International Financial Reporting Standards, specifically IAS 34: Interim Financial Reporting and are presented in United States Dollars which is the reporting currency for this group. The directors accept responsibility for these financial statements.

Kanu is engaged in the distribution and rental of earthmoving equipment and machinery as well as the sale of spare parts throughout Africa.

No dividends were declared or paid to shareholders during the year (2015: USD Nil).

There was no change in the nature of the property, plant and equipment of the company or in the policy regarding their use.

Kanu acquired control of 100% of the share capital of Equipment Sales and Services Proprietary Limited on 1 November 2015 for a total consideration of USD2.5 million, which was settled in cash. Equipment Sales and Services operates in Botswana. In August 2016 an additional capital contribution of USD2.3 million was received from Agricola Africa Limited increasing its shareholding to 45%. Agricola Africa Limited are in the process of buying 55% of Kanu Equipment Limited. These shares are currently held by Torre International Limited until the Kanu Disposal becomes effective. The announcement was made on SENS on 22 November 2016. After this transaction Agricola Africa Limited will hold 95% of Kanu Equipment Limited. Other shareholders in Kanu include Torre International Ltd as to 55% and Management. Torre International Ltd's ultimate holding company is Torre Industries Ltd.

Condensed Consolidated Statement of Financial Position

	30 June 2016 USD'm Audited	31 December 2016 USD'm Reviewed
ASSETS		
Non-current assets		
Property, plant and equipment	2	2
Rental assets	12	15
Goodwill	7	7
Deferred tax	1	1
Finance leases	1	1
Investment in associate	1	1
	24	27
Current assets		
Inventories	7	11
Trade and other receivables	11	15
Cash and cash equivalents	10	1
	28	27
Total assets	52	54
EQUITY AND LIABILITIES		
Equity		
Share capital	26	28
Reserves	(1)	(2)
Retained earnings	6	8
	31	34
Non-current liabilities		
Interest-bearing borrowings	–	3
Loans from holding company	2	2
Shareholders' loan	1	1
Instalment sales agreements	1	2
Deferred purchase considerations	1	1
	5	9
Current liabilities		
Interest-bearing borrowings	1	–
Bank overdrafts	3	2
Deferred purchase considerations	1	–
Trade and other payables	9	9
Loans from group companies	1	–
Other financial liabilities	1	–
	16	11
Total liabilities	21	20
Total equity and liabilities	52	54

Condensed Consolidated Statement of Comprehensive Income for the six months ended 31 December 2016

	31 December 2016 USD'm Reviewed	31 December 2015 USD'm Reviewed
Revenue	14	12
Gross profit	5	4
Operating expenses	(2)	(1)
Profit before taxation	3	3
Taxation	(1)	–
Profit for the period	2	3
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Foreign currency translation movements	(1)	1
Total comprehensive income for the period	1	4
Reconciliation of attributable earnings to headline earnings		
Profit attributable to ordinary shareholders	1	4
Headline earnings attributable to ordinary shareholders	1	4

Condensed Consolidated Statement of Changes in Equity for the six months ended 31 December 2016

	Share capital USD'm	Foreign currency trans- lation reserve USD'm	Retained income USD'm	Total USD'm
Balance as at 30 June 2015 (Audited)	11	(1)	2	13
Shares issued	2	–	–	2
Profit for the period	–	–	3	3
Movement in FCTR	–	1	–	1
Balance as at 31 December 2015 (Reviewed)	13	–	5	18
Shares issued	13	–	–	13
Profit for the period	–	–	1	1
Movement in FCTR	–	(1)	–	(1)
Balance as at 30 June 2016 (Audited)	26	(1)	6	31
Shares issued	2	–	–	2
Profit for the period	–	–	2	2
Movement in FCTR	–	(1)	–	(1)
Balance as at 31 December 2016 (Reviewed)	28	(2)	8	34

Condensed Consolidated Statement of Cash Flows for the six months ended 31 December 2016

	31 Dec 2016	31 Dec 2015
	USD'm	USD'm
	Reviewed	Reviewed
Net cash from operating activities	(6)	-
Cash used in operations	3	3
Net working capital movements	(9)	(3)
Net cash from investing activities	(3)	(6)
Capital expenditure	(3)	(5)
Acquisition of business operations	-	(1)
Other investing activities	-	1
Net cash from financing activities	-	3
Issue of shares	2	2
Payment of deferred purchase consideration	-	(2)
Movement in interest-bearing borrowings	-	1
Other financing activities	(2)	2
Net cash movement for the period	(9)	(2)
Net cash and cash equivalents at the beginning of the period	8	2
Effect of exchange rate movement on cash balances	-	-
Net cash and cash equivalents at end of the period	(1)	-

1. ACCOUNTING POLICIES

The condensed consolidated financial information has been prepared in accordance with International Financial Reporting Standards, specifically IAS 34: Interim Financial Reporting and the JSE Listings Requirements. The accounting policies are consistent with the annual financial statements for the year ended 30 June 2016, taking into account the various amendments now effective. The adoption of new and amended accounting standards has not had any material impact on the financial information. The directors take full responsibility for the preparation of these interim results.

2. FINANCIAL PREPARATION AND REVIEW

These results have been prepared by M Du Plessis CA(SA), Group Financial Manager, which preparation was supervised by S Mansingh CA(SA), Chief Financial Officer.

3. MATERIAL BALANCE SHEET MOVEMENTS

Finance lease assets are higher than the comparative period due to an increase in sales of machines under finance leases in November and December 2016. Increase in inventory as a result of investing in country stock to sell more spare parts in countries to external customers.

4. RELATED PARTY TRANSACTIONS

Kanu Equipment Limited acquires certain of its equipment and inventory from Kanu Equipment Proprietary Limited. This is acquired at no mark up on cost and the amount acquired during the six-month period is USD0.9 million (2015: USD2 million)

5. SUBSEQUENT EVENTS

Torre International Holdings Ltd is in the process of disposing its 55% stake in Kanu Equipment Limited as announced on SENS on 22 November 2016.

**HISTORICAL FINANCIAL INFORMATION OF KANU
FOR THE YEARS ENDED 30 JUNE 2015 AND 30 JUNE 2016**

These financial statements for the year ended 30 June 2016 have been prepared to reflect the consolidated statements of financial position, performance and cash flows of Kanu Equipment Africa (previously Torre Equipment Africa Limited) and referred to as Kanu in this Circular. The annual financial statements have been prepared in accordance with International Financial Reporting Standards and are presented in United States Dollars which is the reporting currency for this group. The directors accept responsibility for these financial statements.

Kanu is engaged in the distribution and rental of earthmoving equipment and machinery as well as the sale of spare parts throughout Africa.

Kanu is engaged in the distribution and rental of earthmoving equipment and machinery as well as the sale of spare parts throughout Africa.

During the year Kanu increased the number shares to 69 187 (2015: 306), the share capital to USD995 (2015: 306) and the share premium to USD26 071 030 (2015: USD10 818 692).

No dividends were declared or paid to shareholders during the year (2015: USD Nil).

There was no change in the nature of the property, plant and equipment of the company or in the policy regarding their use.

Kanu acquired control of 100% of the share capital of Equipment Sales and Services Proprietary Limited on 1 November 2015 for a total consideration of USD2.5 million, which was settled in cash. Equipment Sales and Services operates in Botswana. In August 2016 an additional capital contribution of USD2.3 million was received from Agricola Africa Limited increasing its shareholding to 45%. Agricola Africa Limited are in the process of buying 55% of Kanu Equipment Limited. These shares are currently held by Torre International Limited until the Kanu Disposal becomes effective. The announcement was made on SENS on 22 November 2016. After this transaction Agricola Africa Limited will hold 95% of Kanu Equipment Limited. Other shareholders in Kanu include Torre International Ltd as to 55% and Management.

Consolidated Statement of Financial Position

	Notes	30 June 2016 USD	30 June 2015 USD
ASSETS			
Non-current assets			
Property, plant and equipment	3	13 911 191	10 197 923
Goodwill	4	7 197 297	2 208 509
Investment in associates	6	949 117	–
Finance lease receivables	7	1 279 491	1 512 375
Deferred tax	8	1 246 237	57 661
		24 583 333	13 976 468
Current assets			
Inventories	9	6 624 899	3 891 934
Trade and other receivables	10	10 532 459	4 303 090
Cash and cash equivalents	11	9 681 494	1 500 350
		26 838 852	9 695 374
Total assets		51 422 185	23 671 842
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	12	995	306
Share premium	12	26 071 030	10 818 692
Reserves		4 754 268	1 698 142
		30 826 293	12 517 140
Non-current liabilities			
Deferred tax	8	49 556	4 288
Loans from holding company	13	1 752 199	309 108
Interest-bearing borrowings	15	130 977	203 103
Shareholders' loan	16	1 151 533	–
Instalment sales agreements	17	953 296	36 942
Deferred purchase considerations	18	1 110 231	1 786 639
		5 147 792	2 340 080
Current liabilities			
Trade and other payables	19	8 799 504	5 942 371
Taxation payable		21 345	106 852
Loans from group companies	20	1 272 656	2 122 446
Other financial liabilities	14	696 116	38 711
Interest-bearing borrowings	15	569 990	80 105
Instalment sales agreements	17	813 487	51 510
Deferred purchase considerations	18	747 307	472 627
Bank overdraft	11	2 527 695	–
		15 448 100	8 814 622
Total liabilities		20 595 892	11 154 702
Total equity and liabilities		51 422 185	23 671 842
Net asset value		30 826 293	12 517 140
Tangible net asset value		23 628 996	10 308 631

Consolidated Statement of Comprehensive Income

	Notes	30 June 2016 USD	30 June 2015 USD
Revenue	21	27 229 391	13 039 083
Cost of sales		(19 577 829)	(7 602 425)
Gross profit		7 651 562	5 436 658
Other income	22	1 872 857	551 549
Operating expenses		(6 677 267)	(4 346 615)
Operating profit	23	2 847 152	1 641 592
Income from equity accounted investment	24	21 764	–
Finance income	25	118 366	248 417
Finance costs	26	(722 101)	(179 910)
Profit before taxation		2 265 181	1 710 099
Taxation	27	1 061 585	(49 044)
Profit for the year		3 326 766	1 661 055
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		(270 640)	(1 283 130)
Total comprehensive income for the year		3 056 126	377 925
Reconciliation of earnings to headline earnings			
Profit for the year		3 326 766	1 661 055
Loss on the sale of property, plant and equipment		29 116	–
Headline earnings		3 355 882	1 661 055

Consolidated Statement of Changes in Equity

	Share capital USD	Share premium USD	Foreign currency translation reserve USD	Retained income USD	Total USD
Balance as at 1 July 2014	100	2 848 025	524 215	796 002	4 168 342
Total comprehensive income for the year	–	–	(1 283 130)	1 661 055	377 925
Issue of shares	206	7 970 667	–	–	7 970 873
Balance as at 30 June 2015	306	10 818 692	(758 915)	2 457 057	12 517 140
Total comprehensive income for the year	–	–	(270 640)	3 326 766	3 056 126
Issue of shares	689	15 252 338	–	–	15 253 027
Balance as at 30 June 2016	995	26 071 030	(1 029 555)	5 783 823	30 826 293

Consolidated Statement of Cash Flows

	Notes	30 June 2016 USD	30 June 2015 USD
Cash flows from operating activities			
Cash used in operations	29	(3 802 560)	(522 370)
Interest income		118 366	248 417
Finance costs		(722 101)	(179 910)
Tax paid	30	(182 083)	(129 101)
Net cash from operating activities		(4 588 378)	(582 964)
Cash flows from investing activities			
Purchase of property, plant and equipment		(3 677 508)	(6 344 334)
Acquisition of investment in associate		(927 353)	–
Net cash paid on business combination	34	(833 621)	–
Repayment of finance lease assets		232 884	–
Net cash from investing activities		(5 205 599)	(6 344 334)
Cash flows from financing activities			
Cash received from shares issued		15 253 027	7 970 873
Repayment of deferred purchase consideration		(673 358)	–
Other financial liabilities raised		–	38 711
Repayment of other financial liabilities		(38 711)	–
Interest-bearing borrowings raised		417 759	283 208
Repayment of loans from holding company		–	(14 270)
Loans from holding company raised		1 443 091	–
Shareholders' loan raised		1 151 533	–
Repayment of group company loans		(849 790)	(163 763)
Repayment of instalment sales agreement		(651 324)	–
Net cash from financing activities		16 052 227	8 114 759
Net cash movement for the year		6 258 250	1 187 461
Net cash and cash equivalents at the beginning of the year		1 500 350	435 221
Foreign currency translation reserve		(604 800)	(122 332)
Net cash and cash equivalents at end of the year		7 153 800	1 500 350

ACCOUNTING POLICIES

1. PRESENTATION OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) including the International Reporting Interpretations Committee (IFRIC) and the JSE Listings Requirement and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates. They are presented in United States Dollars (USD).

The consolidated annual financial statements have been prepared on the historical cost basis, except for certain financial instruments at fair value, and the corporate principal accounting policies set out below.

1.1 CONSOLIDATION

Basis of consolidation

The consolidated annual financial statements incorporate the annual financial statements of the group and all investees which are controlled by Kanu Equipment Limited and its subsidiaries (“the group”).

Control exists when the company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The results of subsidiaries are included in the consolidated financial statements from the effective date of acquisition to the effective date of disposal.

Adjustments are made when necessary to the financial statements of subsidiaries to bring their accounting policies in line with those of the group.

All inter-company transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the company’s interest therein, and are recognised within equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for non-controlling interest.

Transactions which result in changes in ownership levels, where the group has control of the subsidiary both before and after the transaction are regarded as equity transaction and are recognised directly in the statement of changes in equity.

The difference between the fair value of consideration paid or received and the movement in non-controlling interest for such transactions is recognised in equity attributable to the owners of the parent.

Where a subsidiary is disposed of and a non-controlling shareholding is retained, the remaining investment is measured to fair value with the adjustment to fair value recognised in profit or loss as part of the gain or loss on disposal of the controlling interest.

Business combinations

The group accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued. Costs directly attributable to the business combination are expensed as incurred, except the costs to issue debt which are amortised as part of the effective interest and costs to issue equity which are included in equity.

Contingent consideration is included in the cost of the combination at fair value as at the date of acquisition. Subsequent changes to the assets, liability or equity which arise as a result of the contingent consideration are not affected against goodwill, unless they are valid measurement period adjustments.

The acquiree’s identifiable assets, liabilities and contingent liabilities which meet the recognition conditions of IFRS 3 Business combinations are recognised at their fair values at acquisition date, except for non-current assets (or disposal group) that are classified as held-for-sale in accordance with IFRS 5 Non-current assets held-for-sale and discontinued operations, which are recognised at fair value less costs to sell.

Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at acquisition date.

On acquisition, the group assesses the classification of the acquiree’s assets and liabilities and re-classifies them where the classification is inappropriate for group purposes. This excludes lease agreements and insurance contracts, whose classification remains as per their inception date.

Non-controlling interests arising from a business combination, which are present ownership interests, and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation, are measured either at the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets or at fair value. The treatment is not an accounting policy choice but is selected for each individual business combination, and disclosed in the note for business combinations. All other components of non-controlling interests are measured at their acquisition date fair values, unless another measurement basis is required by IFRSs.

In cases where the group held a non-controlling shareholding in the acquiree prior to obtaining control, that interest is measured to fair value as at acquisition date. The measurement to fair value is included in profit or loss for the year. Where the existing shareholding was classified as an available-for-sale financial asset, the cumulative fair value adjustments recognised previously to other comprehensive income and accumulated in equity are recognised in profit or loss as a re-classification adjustment.

Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest and less the fair value of the identifiable assets and liabilities of the acquiree.

Goodwill is not amortised but is tested on an annual basis for impairment. If goodwill is assessed to be impaired, that impairment is not subsequently reversed.

Goodwill arising on acquisition of foreign entities is considered an asset of the foreign entity. In such cases the goodwill is translated to the functional currency of the group at the end of each reporting period with the adjustment recognised in equity through to other comprehensive income.

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

In the preparation of the consolidated financial statements, management is required to make estimates and assumptions that affect the amounts represented in the consolidated financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables and loans and other receivables

The group assesses its trade receivables and loans and other receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in the 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 and loans and other receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to receivable balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete inventory

An allowance for inventory to write inventory down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate the fair values. The fair value of financial instruments for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

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 value less costs to sell. 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 goodwill.

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. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of the expected future cash flows for each group of assets. Expected future cash flows used to determine the value-in-use of goodwill are inherently uncertain and could materially change over time.

Refer to note 4 for details regarding the impairment tests performed on Goodwill.

Provisions

Provisions are recognised when the group has a present obligation as a result of a past event and it is probable that the group will be required to settle that obligation. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the statement of financial position date, and are discounted to present value where the effect is material.

Useful lives and residual values of property, plant and equipment

Management has made certain estimations with regard to the determination of estimated useful lives and residual value of items of property, plant and equipment.

Leases

Management has applied its judgement to classify certain lease agreements that the company is party to as operating leases, as they do not transfer substantially all the risks and rewards of ownership to the group. In some cases, the terms of the lease transaction are not definitive in terms of the requirements of IAS 17 Leases to be classified as a finance lease. Management also applied judgement relating to the classification of lease assets between current and non-current based on the best available forward-looking information.

Deferred purchase consideration

Deferred purchase considerations arising from business combinations are accounted for as financial liabilities and are recognised in terms of the future earn-out obligations of the relevant businesses acquired. The deferred purchase considerations are measured at management's best estimate of the liability required to settle the obligation at the statements of financial position date, and non-current portions are discounted to present value using an appropriate discount rate, where to be settled more than 12 months ahead.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will be reversed in the foreseeable future. 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 the future cash flows are 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.

1.3 PROPERTY, PLANT AND EQUIPMENT

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the company; and
- the cost of the item can be measured reliably.

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 measured 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 de-recognised.

Subsequent to initial recognition, property, plant and equipment is carried at cost less accumulated depreciations and accumulated impairment losses. Property, plant and equipment are depreciated on the straight-line basis over the expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Plant and machinery	10 years
Rental assets	10 years
Furniture and fixtures	3 – 5 years
Office equipment	3 – 5 years
Computer equipment and software	3 years
Motor vehicles	5 years

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

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

The gain or loss arising from the de-recognition of an item of property, plant and equipment is included in profit or loss when the item is de-recognised. The gain and loss arising from the de-recognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.4 **INVESTMENTS IN ASSOCIATES**

An investment in an associate is initially carried at cost and subsequently accounted for under the equity method. Under the equity method, associates and joint ventures are carried at cost and adjusted for the post-acquisition changes in the group's share of the associates' net assets. The share of the associates' profit after tax is determined from their latest financial statements or, if their year-ends are different to those of the group, unaudited management accounts that correspond to the groups' financial year-end.

1.5 **FINANCIAL INSTRUMENTS**

Classification

The group classifies financial assets and financial liabilities into the following categories:

- Financial assets at fair value through profit or loss – designated
- Loans and receivables at amortised costs
- Available-for-sale financial assets
- Financial liabilities at fair value through profit or loss – designated
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained/incurred and takes place at initial recognition.

Initial recognition and measurement

Financial instruments are recognised initially when the group becomes a party to the contractual provisions of the instruments.

The group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through profit and loss are recognised in profit and loss.

Subsequent measurement

Financial instruments at fair value through profit and loss are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in profit or loss for the period.

Net gains or losses on the financial instruments are fair value through profit or loss exclude dividends and interest.

Loans and receivables are subsequently measured at amortised cost, using the effective interest rate method, less accumulated impairment losses.

Financial liabilities at amortised costs are subsequently measured at amortised cost, using the effective interest rate method.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment of financial assets

At each reporting date the group assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

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

Impairment losses are recognised in profit or loss except for equity investments classified as available-for-sale.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in profit or loss except for equity investments classified as available-for-sale.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write-off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Loans to/(from) group companies

These loans to and from holding companies, fellow subsidiaries, joint ventures and associates are recognised initially at fair value plus direct transaction costs.

Loans to group companies are classified as loans and receivables.

Loans to/(from) shareholders are initially recognised at fair value plus transactions. Subsequently, these loans are measured at amortised costs

Trade and other receivables

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash-on-hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Net cash and cash equivalents include short-term bank borrowings in the group. All amounts are initially and subsequently recorded at amortised costs.

Borrowings

Borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the group's accounting policy for borrowing costs.

Derecognition of financial instruments

The group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the group retains substantially all the risks and rewards of ownership of a transferred financial asset, the group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The group de-recognises financial liabilities when, and only when, the group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability de-recognised and the consideration paid and payable is recognised in profit or loss.

1.6 TAXATION

Income taxation assets and liabilities

Income taxation for the current and prior period is, to the extent unpaid, recognised as a liability. If the amount already paid is in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Income taxation liabilities/assets for the current and prior periods are measured at the amount expected to be paid to/recovered from the taxation authorities, using the taxation rates (taxation laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxation assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which 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. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Taxation expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income; or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.7 LEASES

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance lease – lessor

The company recognises finance lease receivables in the statement of financial position.

Finance income is recognised based on a pattern reflecting a constant periodic rate of return on the company's net investment in the finance lease.

Finance lease – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease agreement.

The lease payments are apportioned between the finance charge and the reduction of the outstanding liability.

The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Operating lease – 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 asset. This liability is not discounted.

Any contingent rent is expensed in the period it is incurred.

1.8 INVENTORIES

Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.9 IMPAIRMENT OF ASSETS

The group assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the group estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the company also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period; and
- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual 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 to sell and its value-in-use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

The groups assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill 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 assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss.

1.10 PROVISIONS AND CONTINGENCIES

Provisions are recognised when the company has a present obligation as a result of a past event and;

- 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 shall be treated 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.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

1.11 SHARE CAPITAL AND EQUITY

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all its liabilities.

If the group reacquires its own equity instruments, the consideration paid, including any directly attributable incremental costs (net of income taxes) on those instruments are deducted from equity until the shares are cancelled or reissued. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the group's own equity instruments. Considerations paid or received shall be recognised directly in equity.

1.12 REVENUE

Revenue from the sale of goods 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; and
- 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.

When the outcome of a transaction 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 a transaction 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.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Interest is recognised, in profit or loss, using the effective interest rate method.

1.13 **COST OF SALES**

When inventories are sold, the carrying amount of those inventories is 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.

1.14 **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. The amount of borrowing costs eligible for capitalisation is determined as follows:

Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.

Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

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

1.15 **TRANSLATION OF FOREIGN CURRENCIES**

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in foreign 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 at rates different from those at which they were translated on initial recognition during the period or in previous financial statements 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 to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to 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 functional currency by applying to the foreign currency amount the exchange rate between the suitable currency and the foreign currency at the date of the cash flow.

2. NEW STANDARDS AND INTERPRETATIONS

2.1 STANDARDS AND INTERPRETATIONS EFFECTIVE AND ADOPTED IN THE CURRENT YEAR

The group adopted the following standards and amendments to standards during the current year, all of which had no material impact on the group's result or financial position:

- IFRS 7 Financial instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities; and
- IFRS 11 Joint arrangements – classifies joint arrangements as either joint operations or joint ventures and requires different treatment of these.

2.2 ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS THAT ARE NOT YET EFFECTIVE

Certain new standards, amendments and interpretations to existing standards have been published but which are not yet effective and these have not yet been early adopted by the group:

- IFRS 9 Financial instruments – IFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities – 1 January 2018; and
- IFRS 16 Leases – Introduces a single accounting model for the recognition, measurement, presentation and disclosure of leases – 1 January 2019.

The new standards, amendments and revisions and their effective dates mentioned below are not expected to have a material impact on the group's results or financial position.

- IFRS 11 Joint Arrangements – Accounting for Acquisitions of Interest in Joint Operations – 1 January 2018;
- IFRS 14 Regulatory Deferral Accounts – 1 January 2018;
- IFRS 15 Revenue from Contracts with Customers – provides a single, principles based five-step model to be applied to all contracts with customers – 1 January 2018;
- Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of depreciation and Amortisation;
- IAS 19 Defined Benefit Plans – Employee Contributions – 1 January 2018;
- IAS 27 Separate Financial Statements – Equity Method in Separate Financial Statements – 1 January 2018; and
- Various improvements to IFRS.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT

All figures are in USD	30 June 2016			30 June 2015		
	Costs	Accumulated depreciation	Carrying value	Costs	Accumulated depreciation	Carrying value
Rental assets	13 895 230	(1 598 785)	12 296 445	9 564 909	(559 261)	9 005 648
Furniture and fixtures	152 268	(67 045)	85 223	78 976	(25 500)	53 476
Motor vehicles	2 256 633	(913 053)	1 343 580	1 169 946	(167 568)	1 002 378
Office equipment	37 228	(16 233)	20 995	30 996	(8 048)	22 948
Computer equipment	202 758	(127 362)	75 396	40 165	(14 446)	25 719
Leasehold improvements	196 214	(106 662)	89 552	109 076	(21 322)	87 754
Total	16 740 331	(2 829 140)	13 911 191	10 994 068	(796 145)	10 197 923

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT 2016

USD	Opening balance	Additions	Additions through business combinations	Disposals	Foreign exchange movements	Depreciation	Closing balance
Rental assets	9 005 648	3 032 189	77 748	–	220 525	(39 665)	12 296 445
Furniture and fixtures	53 476	47 856	11 585	–	3 287	(30 981)	85 223
Motor vehicles	1 002 378	436 879	188 363	(29 116)	95 548	(350 472)	1 343 580
Office equipment	22 948	5 340	–	–	(7 293)	–	20 995
Computer equipment	25 719	69 144	6 167	–	(1 850)	(23 784)	75 396
Leasehold improvements	87 754	86 100	–	–	3 116	(87 418)	89 552
Total	10 197 923	3 677 508	283 863	(29 116)	313 333	(532 320)	13 911 191

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT 2015

USD	Opening balance	Additions	Additions through business combinations	Disposals	Foreign exchange movements	Depreciation	Closing balance
Rental assets	4 850 304	5 331 500	–	–	(1 053 694)	(122 462)	9 005 648
Furniture and fixtures	39 337	28 702	–	–	1 132	(15 695)	53 476
Motor vehicles	224 729	994 131	–	–	(68 206)	(148 276)	1 002 378
Office equipment	–	25 704	–	–	5 469	(8 225)	22 948
Computer equipment	23 425	12 860	–	–	852	(11 418)	25 719
Leasehold improvements	60 316	39 889	–	–	(1 511)	(10 940)	87 754
Total	5 198 111	6 432 786	–	–	(1 115 958)	(317 016)	10 197 923

SECURITY

The carrying value property, plant and equipment pledged as security amounted to USD2 190 388 (2015: USD164 026).

4. GOODWILL

	30 June 2016			30 June 2015		
	Cost	Accumulated impairment	Carrying value	Cost	Accumulated impairment	Carrying value
Goodwill	7 197 297	–	7 197 297	2 208 509	–	2 208 509

RECONCILIATION OF GOODWILL 2016

All figures are in USD	Opening balance	Foreign exchange	Additions through business combinations	Total
Goodwill	2 208 509	89 806	4 898 982	7 197 297

RECONCILIATION OF GOODWILL 2015

All figures are in USD	Opening balance	Foreign exchange	Additions through business combinations	Total
Goodwill	–	(161 539)	2 370 048	2 208 509

The recoverable amount of goodwill has been determined on the basis of the value-in-use method. The value-in-use method uses cash flows projections based on the 2016 financial year budgets approved by management, extrapolated by an appropriate growth rate in excess of 16% over four years with an annuity calculation thereafter to represent a terminal value at an average growth rate of 5%. These five year cumulative cash flows are discounted using a pre-tax weighted average cost of capital applicable to the going concern acquired during the year of 16.6%.

For the purpose of the free cash flow calculations, management had to make certain key assumptions. Such assumptions are based on historical results adjusted for anticipated future growth. These assumptions are a reflection of management past experience in the markets that the going concern acquired operates in. Goodwill has been assessed for impairment and no impairment was required. All goodwill relates to a single cash-generating unit being capital equipment Africa.

5. INTERESTS IN SUBSIDIARIES

All figures are in USD

Name of company	Held by	Country of operation	% voting power 2015	% voting power 2016	Profit/(loss) 2015	Profit/(loss) 2016
Directly held subsidiaries						
Kanu Equipment Congo	KANU	Republic of Congo	100	100	(66 330)	(788 460)
Kanu Equipment Ghana Limited	KANU	Ghana	100	100	234 617	(859 494)
Kanu Equipment Cote D'Ivoire	KANU	Ivory Coast	100	100	143 992	(24 329)
Kanu Equipment Liberia Limited	KANU	Liberia	100	100	(170 259)	1 176 899
Kanu Equipment Sierra Leone Limited	KANU	Sierra Leone	100	100	37 787	(18 971)
Kanu Equipment International Sarl	KANU	Switzerland	100	100	83 442	415 620
Kanu Equipment Cameroon	KANU	Cameroon	100	100	N/A	(360 361)
Equipment Sales and Services (Pty) Ltd	KANU	Botswana	100	100	N/A	2 190 718
Indirectly held subsidiaries						
Transport Et Negoce Ivoiriens	Kanu Ivory Coast	Ivory Coast	100	100	26 421	(264 326)

Key: KANU – Kanu Equipment Limited

The profit/(loss) from subsidiaries is for the period which the company had control of the subsidiaries. The total revenue generated by the subsidiaries amounted to USD16 202 850 (2015: USD3 871 261).

The group has a majority of the voting rights of the entities classified as subsidiaries. On that basis, it has been determined that there is power over the investee, exposure to the variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the investors returns.

6. INVESTMENT IN ASSOCIATES

Directly held subsidiary	Held by	Place of operation	% holding	Carrying amount
Torre Zimbabwe	Kanu Equipment Limited	Zimbabwe	50	949 117

The group has determined that there is no power over the investee, exposure to variable returns from its involvement with the investee or the liability to use its power over the investee to affect the amount of the investors' returns with respect to associates. On that basis, it has been determined that there is significant influence based on voting rights and representation on the board of directors for the above investee to be classified as Associates. Aggregated profit from the associate was USD43 528 (2015: N/A).

The total assets and liabilities of Torre Zimbabwe are set out below:

All figures are in USD	2016	2015
Non-current assets	1 408 757	–
Current assets	2 217 062	–
Total assets	3 625 819	–
Non-current liabilities	1 001 529	–
Current liabilities	2 162 974	–
Total liabilities	3 164 503	–

7. FINANCE LEASE RECEIVABLES

Minimum lease payments receivable

Within one year	3 565 901	926 886
In second to fifth year	1 318 204	1 534 062

	4 884 105	2 460 948
<i>Less: Unearned finance income</i>	<i>(150 704)</i>	<i>(82 054)</i>

Present value of minimum lease payments	4 733 401	2 378 894
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Present value of minimum lease payments receivable

Within one year	3 453 910	866 519
In second to fifth year	1 279 491	1 512 375

	4 733 401	2 378 894
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Non-current assets	1 279 491	1 512 375
Current assets	3 453 910	866 519
	4 733 401	2 378 894

The finance lease receivables relate to various finance lease agreements entered into by the group for forklifts and earth-moving equipment. The average lease term ranges from 12 months to 60 months.

The interest rate inherent in the lease is fixed at the contract date for the entire lease term at an effective interest rate between 8% to 12% (2015: 8% to 12%) per annum.

The carrying amount of finance lease receivables are denominated in the following currencies: USD and BWP.

The finance lease receivables at the end of the reporting period are neither past due or impaired.

The carrying amount is reasonable approximation of the fair value as it takes into account the effects of discounting and credit risk amongst others.

During the year the group factored certain of the finance leases to Stellar Equipment Finance Limited (fellow group company of Torre Industries Limited). The effect of the factoring was as follows:

All figures are in USD	2016	2015
Carrying value of finance lease receivables	3 819 954	–
Proceeds received from Stellar Equipment Finance	(3 423 021)	–
Loss on factoring of finance lease receivable	396 933	–

All figures are in USD	2016	2015
8. DEFERRED TAX		
Deferred tax asset	1 246 237	57 661
Deferred tax liability	(49 556)	(4 288)
Net	1 196 681	53 373
Deferred tax asset/(liability)		
Property, plant and equipment	(148 830)	(4 288)
Unutilised tax losses	1 271 417	–
Inventory	37 037	57 661
Future expense allowances	37 057	–
Net	1 196 681	53 373
Reconciliation of deferred tax asset/liability		
At the beginning of the year	53 373	–
Movement in temporary differences between property, plant and equipment	(129 689)	(4 288)
Deferred tax from business combinations	(14 853)	–
Movement in tax losses available for the set off against future taxable income	1 271 417	–
Movement in temporary differences inventory	(20 624)	57 661
Movement in temporary differences on future expense allowances	37 057	–
Net	1 196 681	53 373

Recognition of deferred tax asset

At the statement of financial position date, the group has recognised a deferred tax assets of USD1 271 417 relating to tax losses available for use against future taxable income across various jurisdictions in Africa. There are no tax losses for which a deferred tax asset has not been recognised. Based on the budgeted performance in the coming year and the various initiatives that the group will embark upon, the directors are confident that the group will generate sufficient tax profits against which to utilise the taxation losses.

9. INVENTORIES

All figures are in USD	2016	2015
Finished goods	7 009 782	3 891 934
Provision for obsolete stock	(384 883)	–
Total	6 624 899	3 891 934

The amount of inventory recognised as an expense during the current period amounted to USD14 605 925 (2015: USD4 894 171).

10. TRADE AND OTHER RECEIVABLES

All figures are in USD	2016	2015
Trade receivables	6 199 293	3 108 355
Staff debtors	–	22 356
Prepayments	1 882 420	280 699
Value added tax	569 675	251 234
Other receivables	618 698	163 717
Short-term portion of finance leases (note 7)	3 453 910	866 519
	12 723 996	4 692 880
Provision for doubtful debt	(2 191 537)	(389 790)
Total	10 532 459	4 303 090

Trade and other receivables past due but not impaired

Trade and other receivables which are less than three months past due are not considered to be impaired as management has a reasonable expectation of recovery of these amounts. As at 30 June 2016, USD896 127 (2015: USD336 295) were past due but not impaired. The ageing of these amounts past due but not impaired were in excess of 90 days.

Trade and other receivables impaired

The amount of the provision was USD2 191 537 as at 30 June 2016 (2015: USD389 790).

The ageing of these receivables is as follows:

All figures are in USD	2016	2015
More than one month past due	2 191 537	389 790

Reconciliation of provision for impairment of trade and other receivables

Opening balance	389 790	28 388
Provision for impairment	1 801 747	361 402
Closing balance	2 191 537	389 790

11. CASH AND CASH EQUIVALENT

Cash on hand	31 074	16 712
Bank balances	9 650 420	1 483 638
Bank overdrafts	(2 527 695)	–
Net	7 153 799	1 500 350
Included in		
Current assets	9 681 494	1 500 350
Current liabilities	(2 527 695)	–
	7 153 799	1 500 350

12. STATED CAPITAL

Issued and fully paid shares

69 187 Ordinary shares at USD0.01 each (2015: 306 Ordinary shares at USD1 each)	995	306
Share premium	26 071 030	10 818 692
	26 072 025	10 818 998

Reconciliation of number of ordinary shares at the end of the reporting period:

As at 1 July	306	100
Split of shares	30 294	–
Issue of shares	38 587	206
At 30 June	69 187	306

The shares carry equal voting rights and equal rights to dividend and are entitled equally to distribution of assets on winding up.

Foreign currency translation reserve

The foreign currency translation reserve arose as a result of translating the results of foreign operations from their functional currency to the group's presentation currency.

All figures are in USD	2016	2015
13. LOANS FROM HOLDING COMPANY		
Torre International Limited	1 752 199	309 108
The loan is unsecured and bears interest at 10% per annum. Interest owing are accrued and paid monthly in arrears on the outstanding loan as from 1 June 2016. The loan amount and any outstanding interest shall be paid in full by no later than 31 December 2020.		
14. OTHER FINANCIAL LIABILITIES		
Previous proprietor of Equipment Sales and Services (Pty) Ltd	696 116	–
The amount bears no interest and have no fixed terms of repayment.		
RIMCO	–	38 711
The amount bears no interest and have no fixed terms of repayment.		
Current liabilities	696 116	38 711
15. INTEREST BEARING BORROWINGS		
Sgbei loan (Ivory Coast)	211 522	283 208
The loan is unsecured, bears interest at 11% per annum and is repayable in monthly instalments until November 2018.		
Stellar Equipment Finance	489 445	–
The loan is unsecured, bears interest of 10% per annum and is repayable in cash or in any other matter as may be agreed in writing by the group and Stellar Equipment Finance Limited on or before 31 August 2016.		
Total	700 967	283 208
Non-current liabilities	130 977	203 103
Current liabilities	569 990	80 105
	700 967	283 208
16. SHAREHOLDERS' LOANS		
Agricola Africa Limited	1 151 533	–
The loan is unsecured and bears interest at 10% per annum. Interest owing is accrued and paid monthly in arrears on the outstanding loan as from 1 June 2016. The loan amount and any outstanding interest shall be paid in full by no later than 31 December 2020.		
17. INSTALMENT SALES AGREEMENTS		
All figures are in USD	2016	2015
Minimum Lease Payments Receivable		
Within one year	960 267	64 917
In second to fifth year	998 187	39 045
	1 958 454	103 962
<i>Less: Unearned finance income</i>	(191 671)	(15 510)
Present value of minimum lease payments	1 766 783	88 452
Present value of minimum lease payments receivable		
Within one year	813 487	51 510
In second to fifth year	953 296	36 942
	1 766 783	88 452
Non-current liabilities	953 296	36 942
Current liabilities	813 487	51 510
	1 766 783	88 452

The instalment sales agreement liabilities at year-end are secured by certain rental equipment and vehicles (refer to note 3), bear interest at effective interest rates ranging between 9.5% and 11% per annum.

The carrying values of the assets held under instalment sales agreements are USD2 190 388 (2015: USD164 026).

The range of lease terms is between one and three years.

The carrying amount is a reasonable approximation of the fair value as it takes into account the effects of discounting amongst others.

18. DEFERRED PURCHASE CONSIDERATION

During the year the group one acquisition in accordance with IFRS 3: Business combinations. The purchase price paid for the acquisition contained a deferred payment arrangement.

The value of the deferred payment consideration has been determined by discounting the deferred payments to be made to present value using an appropriate pre-tax discount rate applicable to each jurisdiction that the respective acquisition relates to. These discount rates have been disclosed below.

The deferred payments to be made with their terms are as follows:

All figures are in USD	2016	2015
Kanu International Sarl		
The amount will be settled through quarterly payments in cash from 1 October 2014 to 31 December 2019 based on certain performance targets being reached.	517 844	2 259 266
Equipment Sales and Services (Pty) Ltd		
The amount will be settled through bi-annual payments in cash based on certain performance targets being reached.	1 339 694	–
Total	1 857 538	2 259 266
Non-current liabilities	1 110 231	1 786 639
Current liabilities	747 307	472 627
	1 857 538	2 259 266

At year-end, management assessed its initial estimates of the eventual achievement of the deferred purchase considerations. The carrying values of the above deferred payment considerations have been adjusted to take into account the payments made to the parties.

19. TRADE AND OTHER PAYABLES

All figures are in USD	2016	2015
Trade payables	7 464 534	4 880 786
VAT	39 761	–
Other payables	654 202	599 879
Staff related payables	241 528	101 785
Provisions	233 488	8 454
Accrued expenses	13 237	76 922
Income received in advance	152 754	274 545
Total	8 799 504	5 942 371

Fair value of trade and other payables

Trade and other payables are classified as financial liabilities held as amortised cost. The carrying amount is a reasonable approximation of the fair value.

All figures are in USD	2016	2015
20. LOANS FROM GROUP COMPANIES		
Torre Holdings (Pty) Ltd trading as Kanu South Africa	1 112 684	–
The amount bears no interest and has no fixed terms of repayment.		
Kanu Equipment (Pty) Ltd	–	1 648 872
The amount bears no interest and has no fixed terms of repayment.		
Torre International Holdings Limited	159 972	473 574
The amount bears no interest and has no fixed terms of repayment.		
	1 272 656	2 122 446
21. REVENUE		
Rental of machines	4 440 083	4 231 755
Sales of equipment and parts	19 922 092	7 238 948
Maintenance and other services	2 867 216	1 568 380
Total	27 229 391	13 039 083
22. OTHER INCOME		
Foreign exchange gains	819 597	257 240
Remeasurement of deferred purchase consideration	989 379	283 929
Other	63 881	10 380
Total	1 872 857	551 549
23. OPERATING PROFIT		
Operating profit for the year is stated after charging the following, amongst others:		
Audit fees	114 721	115 303
Consultation fees	306 265	387 470
Computer costs	80 657	23 307
Employee costs	3 224 438	1 688 668
Leases	717 953	358 711
Legal fees	84 075	31 293
Depreciation of property, plant and equipment	532 320	317 016
Travel expenses	525 052	316 767
24. INCOME FROM EQUITY ACCOUNTED INVESTMENT		
Torre Zimbabwe (Private) Limited	21 764	–
25. FINANCE INCOME		
Customers	118 366	248 417
26. FINANCE COSTS		
Loan interest	160 782	149 328
Bank interest	561 319	29 982
Other	–	600
	722 101	179 910

All figures are in USD	2016	2015
27. TAXATION		
Major components of the tax (income)/expense		
Current		
Foreign income tax – current period	96 576	102 417
Deferred		
Originating from movement in temporary differences and recognised deferred tax assets	(1 158 161)	(53 373)
	(1 061 585)	49 044
Reconciliation of the tax expense		
Reconciliation between applicable taxation rate and average effective taxation rate		
Applicable tax rate	3%	3%
Effect on foreign tax rates	(24%)	3%
Recognition of unutilised tax loss	(27%)	–
Effective tax rate	(48%)	6%
28. FINANCIAL ASSETS BY CATEGORY		
	Loans and receivables	Total
2016		
Cash and cash equivalents	9 681 494	9 681 494
Trade and other receivables	8 080 364	8 080 364
Finance lease receivable	1 279 491	1 279 491
	Loans and receivables	Total
2015		
Cash and cash equivalents	1 500 350	1 500 350
Trade and other receivables	3 771 157	3 771 157
Finance lease receivable	1 512 375	1 512 375
29. CASH USED IN OPERATIONS		
Profit before taxation	2 265 181	1 710 099
Adjustment for:		
Depreciation	532 320	317 016
Remeasurement of deferred purchase consideration	(989 379)	–
Equity accounted profit from investment in associates	(21 764)	–
Finance income	(118 366)	(248 417)
Finance costs	722 101	179 910
Loss on disposal of property, plant and equipment	29 116	–
Changes in working capital:		
Inventory	(1 797 496)	(2 865 027)
Trade and other receivables	(5 798 501)	(3 096 405)
Trade and other payables	1 374 228	3 480 464
Cash flow generated from operations	(3 802 560)	(522 370)
30. TAXATION PAID		
Opening balance	(106 852)	(133 536)
Current tax expense	(96 576)	(102 417)
Closing balance	21 345	106 852
Taxation paid	(182 083)	(129 101)

31. FINANCIAL LIABILITIES BY CATEGORY

2016	Financial liabilities at amortised cost	Total
Loans from holding company	1 752 199	1 752 199
Other financial liabilities	696 116	696 116
Interest-bearing borrowings	700 967	700 967
Shareholders' loan	1 151 533	1 151 533
Instalment sales agreements	1 766 783	1 766 783
Deferred purchase considerations	1 857 538	1 857 538
Trade and other payables	8 606 989	8 606 989
Bank overdraft	2 527 695	2 527 695
	Financial liabilities at amortised cost	Total
2015		
Loans from holding company	309 108	309 108
Other financial liabilities	38 711	38 711
Interest-bearing borrowings	283 208	283 208
Instalment sales agreements	88 452	88 452
Deferred purchase considerations	2 259 266	2 259 266
Trade and other payables	5 667 826	5 667 826

32. RELATED PARTIES

Relationships

Holding company	Torre International Holdings
Ultimate holding company	Torre Industries Limited
Subsidiaries	See note 5
Associates	See note 6
Fellow group companies	Refer to the group financial statements of Torre Industries Limited for the full list of group companies on the website: www.torreindustries.com .
Directors	Christophe Du Mee Stephen Smithyman Nigel Lee Shee We Johan Botes Joseph Bergin Jerome Lagesse
Loans from holding company	See note 13
Shareholders' loan	See note 16
Intercompany loan accounts	See note 20

Related party transactions

Interest paid to related parties

Torre International Limited	160 782	149 328
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Purchases from related parties

Kanu Equipment (Pty) Ltd	–	3 687 400
Torre Holdings (Pty) Ltd trading as Kanu South Africa	4 103 154	–

Key management salaries

No key management salaries are reimbursed by the Kanu Equipment Limited group. They are reimbursed elsewhere in the Torre Industries Limited group.

33. RISK MANAGEMENT

Capital risk management

The board of directors has approved strategies for management of financial risk, which are in line with corporate objectives. These guidelines set up the short-term and long-term objective and actions to be taken in order to manage the financial risks that the company faces.

The major guidelines of the policy are the following:

- Minimise interest rate, current and market risks for all kinds of transactions;
- All financial risk management activities are carried out and monitored centrally; and
- All financial risk management activities are carried out on a prudent, consistent basis and follow the best market practices.

Only items stated as equity on the Statement of Financial Position are considered to be capital for risk management purposes.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Financial risk management

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

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, company treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses 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. Balance due within 12 months equal their carrying balances as the impact of discounting is not significant.

All figures are in USD	2016	2015
	Less than 1 year	Between 2 and 5 years
At 30 June 2016		
Loan from holding company	–	1 752 199
Other financial liabilities	696 116	–
Interest-bearing borrowings	569 990	130 977
Instalment sales agreements	960 267	993 687
Shareholders' loan	–	1 151 533
Deferred purchase consideration	747 307	1 110 231
Trade and other payables	8 606 989	–
Bank overdraft	2 527 695	–
	Less than 1 year	Between 2 and 5 years
At 30 June 2015		
Loan from holding company	–	309 108
Other financial liabilities	38 711	–
Interest-bearing borrowings	80 105	203 103
Instalment sales agreements	64 917	39 045
Deferred purchase consideration	472 627	1 786 639
Trade and other payables	5 667 826	–

Interest rate risk

The group's exposure to interest rate risk is through its bank overdraft which bears interest at floating rates. The group manages the risk by careful monitoring of the use of the overdraft facility. If the interest rate applied to bank overdraft were to increase/decrease by 100 basis points profit before taxation would decrease/increase by USD25 277 respectively.

Interest rate classification

At 30 June 2016	Floating	Fixed	No interest
Loans from holding company	–	1 752 199	–
Interest-bearing borrowings	–	700 967	–
Shareholders' loan	–	1 151 533	–
Instalment sales agreements	–	1 766 783	–
Deferred purchase consideration	–	1 857 538	–
Other financial liabilities	–	–	696 116
Trade and other payables	–	–	8 606 989
Bank overdraft	2 527 695	–	–
Total	2 527 695	7 229 020	9 303 105
At 30 June 2015	Floating	Fixed	No interest
Loans from holding company	–	309 108	–
Interest-bearing borrowings	–	283 208	–
Instalment sales agreements	–	88 452	–
Deferred purchase consideration	–	2 259 266	–
Other financial liabilities	–	–	38 711
Trade and other payables	–	–	5 667 826
Total	–	2 940 034	5 706 537

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated the credit risk relating to customers on an ongoing basis. If the customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by managements. The utilisation of credit limits is regularly monitored.

Finance assets exposed to credit risk at year-end were as follows:

All figures are in USD	2016	2015
Financial instrument		
Trade and other receivables	8 080 364	3 771 157
Cash and cash equivalents	9 681 495	1 500 350
Finance lease receivables	1 279 491	1 512 375
Maximum credit risk	19 041 350	6 783 882

Foreign exchange risk

The company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar and the Euro. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investment in foreign operations. Some customer and creditor transactions are in US Dollar but the group operates in other currencies as well. If the United States Dollar increase/decrease by 1% the net effect on profit before tax will be a decrease/increase of USD22 249 (2015: USD15 900).

All figures are in USD	2016	2015
Foreign currency monetary assets		
US Dollars	17 067	645 859
Foreign currency monetary liabilities		
US Dollars	2 242 066	1 235 939

34. **BUSINESS COMBINATIONS**

Property, plant and equipment	283 863
Trade and other receivables	430 868
Inventory	935 469
Bank and cash	219 677
Trade and other payables	(1 482 906)
Deferred tax	(14 853)
Non-interest-bearing borrowings	(627 138)
Instalment sales agreement	(2 329 655)
Net assets acquired by the group	(2 584 675)
Goodwill	4 898 982
Purchase consideration	2 314 307
Paid by cash	1 053 298
Paid by deferred purchase consideration	1 261 009
Reconciliation of cash outflow on acquisition	
Paid by cash	(1 053 298)
Net cash and cash equivalents	219 677
Total cash outflow on acquisition	(833 621)

On 1 November 2015 Torre Equipment Africa Limited acquired 100% of the share capital of Equipment Sales and Services (Pty) Ltd in Botswana for USD2 314 307. The fair value of net assets acquired as well as the purchase consideration are provisional in terms of IFRS 3 Business combinations. The acquired business has contributed USD10 565 349 of revenue to the group results. It has also contributed USD2 190 718 to the group operating profit for the period from 1 November 2015 to 30 June 2016.

35. **EVENTS AFTER THE REPORTING PERIOD**

Agricola Africa Limited is in the process of buying 55% of Kanu Equipment Limited. These shares are currently held by Torre International Limited until the Kanu Disposal becomes effective. The announcement was made on SENS on 22 November 2016. After this transaction Agricola Africa Limited will hold 95% of Kanu Equipment Limited.

The transaction requires approval by Torre Industries Limited shareholders and is expected to close in the first quarter of calendar 2017.

In August 2016 an additional capital contribution of USD2.3 million from Agricola Africa Limited increasing their shareholding to 40%.

INDEPENDENT REPORTING ACCOUNTANTS' LIMITED ASSURANCE REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF KANU

“The Board of Directors
Torre Industries Limited
11 Avalon Road
West Lake View
Ext 11
Modderfontein
1609
South Africa

Dear Sirs

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION INCLUDED IN THE CIRCULAR

Introduction

We have audited the historical financial information of Kanu Equipment Limited (the Company) in respect of the year ended 30 June 2016 and 30 June 2015 set out in Annexure 4 of the circular and we have reviewed the interim financial information in respect of the six months ended 31 December 2016 set out in Annexure 3 of the circular.

The historical financial information in respect of each annual period comprises the consolidated statement of financial position as at the year-end date, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

The interim financial information comprises the condensed consolidated statement of financial position as at the interim date and the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and selected explanatory notes for the six months then ended.

Directors' responsibility for the historical and interim financial information

The company's directors are responsible for the preparation and fair presentation of the historical financial information in accordance with the requirements of the JSE Listings Requirements, and for such internal control as the directors determine is necessary to enable the preparation of historical financial information that is free from material misstatement, whether due to fraud or error.

The JSE Listings Requirements require the historical financial information in respect of each annual period to be prepared in accordance with the conceptual framework, the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and also, as a minimum, to be presented and contain the disclosures required by the JSE Listings Requirements.

The JSE Listings Requirements require the interim financial information to be prepared in accordance with International Financial Reporting Standard (IAS 34) Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and to contain the disclosures required by the JSE Listings Requirements.

Auditor's responsibility

Our responsibility is to express an opinion or conclusion on the historical financial information based on our audit or review.

We conducted our audit of the historical financial information in accordance with International Standards on Auditing (ISAs) and the review of the historical and interim financial information was conducted in accordance with International Standard on Review Engagements (ISRE) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. Both standards require that we comply with ethical requirements.

We plan and perform the audit to obtain reasonable assurance about whether the historical financial information is free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the historical financial information, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the historical financial information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the historical financial information.

ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the historical and interim financial information is not prepared in all material respects in accordance with the applicable financial reporting framework. A review of interim financial statements in accordance with this standard consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the ISAs and consequently does not enable the auditor to obtain assurance that the auditor would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We believe that the evidence we have obtained in our audit or review is sufficient and appropriate to provide a basis for our opinion or conclusion respectively.

Opinion

In our opinion, the historical financial information in respect of the year ended 30 June 2016 and 30 June 2015 is prepared, in all material respects, in accordance with the requirements of the JSE Listings Requirements, as set out in note 1 to the historical consolidated financial information.

Based on our review of the interim financial information in respect of the six months ended 31 December 2016, nothing has come to our attention that causes us to believe that the interim financial information of Kanu Equipment Limited for the six months ended 31 December 2016 are not prepared, in all material respects, in accordance with the requirements of the JSE Listings Requirements, as set out in note 1 to the interim financial information.

Other information in the Circular

As required by paragraph 8.53 of the JSE Listings Requirements, we have read the circular in which the historical financial information is contained, for the purpose of identifying whether there are material inconsistencies between the circular and the historical financial information which has been subject to audit or review. The circular is the responsibility of the directors. Based on reading the circular we have not identified material inconsistencies between this report and the historical financial information which has been subject to audit or review. However, we have not audited the circular and accordingly do not express an opinion on it.

Consent

We consent to the inclusion of this report, which will form part of the circular to the shareholders of Torre Industries Limited, to be issued on or about 5 May 2017, in the form and context in which it appears.

Deloitte & Touche

Registered Auditor

Per: **RC Campbell**

28 April 2017"

Buildings 1 and 2, Deloitte Place
The Woodlands, Woodlands Drive
Woodmead, Sandton
Private Bag X6
Gallo Manor, 2052
South Africa
Docex 10 Johannesburg

National Executive: *LL Bam Chief Executive Officer *TMM Jordan Deputy Chief Executive Officer *MJ Jarvis Chief Operating Officer *GM Pinnock Audit *N Sing Risk Advisory *NB Kader Tax TP Pillay Consulting S Gwala BPaaS *K Black Clients & Industries *JK Mazzocco Talent & Transformation *MJ Comber Reputation & Risk *TJ Brown Chairman of the Board

A full list of partners is available on request.

**Partner and Registered Auditor"*

MATERIAL CONTRACTS AND TRANSACTIONS

The below material transactions for Torre took place in the three years prior to the Last Practicable Date:

1. On 1 November 2015, Torre acquired control of 100% of the share capital of Botswana-based Equipment Sales and Services Proprietary Limited from the Crosbie founders.
2. On 4 January 2016, Torre acquired the remaining minority interest in Kanu from the original shareholders. Five months later, in June 2016, Phatisa Fund Managers Limited, via its African Agricultural fund, subscribed for 40% of the shares in Kanu for USD14.8 million. Kanu Manco simultaneously subscribed for a 5% interest thus reducing Torre's shareholding to 55% subsequent to year-end.
3. With effect from 1 May 2015, Torre acquired 100% of Set Point Group (Pty) Ltd ("**Set Point**") through a scheme of arrangement which represented 0.3375 Torre shares for every 1 Set Point share disposed of pursuant to the scheme contained in the Torre circular to shareholders dated 13 April 2015.
4. Effective 30 June 2015, an agreement was reached between Torre and the major Set Point shareholders where no additional consideration will be payable or receivable for an upward or downward adjustment to the initial consideration as set out in the Adjustment Notice contained in the Torre circular. Torre continued to have a potential upward adjustment obligation of up to 456 149 Torre shares to the Set Point minority shareholders in the event that Torre did not achieve a headline earnings per share of at least 41.6 cents for the year ended 30 June 2016. This agreement was concluded in order to facilitate a speedier and more efficient integration of Set Point into the Torre group.
5. On 30 June 2016 Torre issued 456 149 new shares to the Set Point minority shareholders.

The below material transactions for Kanu took place in the three years prior to the Last Practicable Date

1. During October 2014, Kanu acquired 100% of Minosucra SARL (now Kanu Equipment International SARL) from WACYBA Ltd with address at Rue de Vevey 178, 1630 Bulle, Switzerland.
2. During October 2015, Kanu acquired 100% of Equipment Sales and Services (Pty) Ltd in Botswana from WF Crosbie and WJ Crosbie both with the address at Plot 1250, Haille Selaisse Street, Old Industrial Sites, Gaborone, Botswana.
3. In April 2016, Kanu acquired 50% of Torre Zimbabwe Private Limited from Torre International Holdings Ltd with address at Suite 1D, 5, Clarens Fields Business Park, Black River Road, Bambous, Mauritius.

MATERIAL BORROWINGS

The below material borrowing for Torre was in place as at the Last Practicable Date

1. Torre Industries Limited as borrower and ABSA Bank Limited as lender entered into a term loan agreement dated 30 June 2015 for ZAR200 million for purposes of providing working capital to Torre's South African operations and to Kanu Equipment Limited.
2. Interest on the loan is at a rate of three-month JIBAR plus 3.55%.
3. The loan is repayable by no later than 5 June 2019.
4. As at 31 December 2016, the balance outstanding on the loan amounted to ZAR155 780 072.
5. The loan is secured by a General Notarial Bond over Torre's South African assets.

The below material borrowings for Kanu were in place as at the Last Practicable Date

1. Loan agreement dated 1 December 2016 between Stellar Equipment Finance Limited as lender and Kanu Equipment Limited as borrower for USD800 000 with interest of 8%. This loan is unsecured and is repayable by no later than 31 May 2017. The loan was unsecured on the basis of an assessment of the creditworthiness of the borrower.
2. Loan agreement dated 1 December 2016 between Stellar Equipment Finance Limited as lender and Kanu Equipment Limited as borrower for EUR450 000 with interest of 8%. This loan is unsecured. This loan is repayable by no later than 31 May 2017. The loan was unsecured on the basis of an assessment of the creditworthiness of the borrower.
3. Loan agreement dated 14 December 2016 between Loinette Company Leasing Limited as lender and Kanu Equipment Limited as borrower for USD1 403 807 (effective 20 December 2016) with interest of 13%. This loan is secured with cession over various customer contracts, shareholder loans and received cross company guarantees. This loan is repayable in monthly instalments of USD102 343.43 with the first repayment starting 31 January 2017 and the last repayment scheduled for 31 March 2018.



Torre Industries Limited

(Incorporated in the Republic of South Africa)

(Registration number 2012/144604/06)

Share code: TOR ISIN: ZAE000188629

("Torre" or the "Company")

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a General Meeting of Torre shareholders will be held at 09:30 on Tuesday, 6 June 2017 at 11 Avalon Road, West Lake View Ext 11, Modderfontein, 1645

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

Notes:

- The definitions and interpretations commencing on page 5 of the Circular to which this Notice of General Meeting is attached, apply, *mutatis mutandis*, to this notice and to the resolutions set out below.
- For an ordinary resolution to be approved by shareholders, it must be supported by more than 50% of the voting rights exercised on the resolution.
- For a special resolution to be approved by shareholders, it must be supported by more than 75% of the voting rights exercised on the resolution.

ORDINARY RESOLUTION NUMBER 1 – APPROVAL OF THE KANU DISPOSAL

“RESOLVED THAT in accordance with the provisions of section 9.20 of the Listings Requirements and subject to the passing of Special Resolution Number 1 and Ordinary Resolution Number 2, the Kanu Disposal be and is hereby approved by shareholders and the Company be and is hereby authorised to implement the Kanu Disposal on the terms more fully set out in the Transaction Agreements, the detail of which has been included in the Circular and copies of which have been made available for inspection by shareholders.”

Reason for and effect of Ordinary Resolution Number 1

In terms of the JSE Listings Requirements, the Kanu Disposal is a category 1 transaction and requires the approval of a majority of the votes exercised by Torre shareholders on the resolution at the General Meeting.

The effect of Ordinary Resolution Number 1, if passed by shareholders, will be that the Company will have the necessary authority in terms of the Listings Requirements to implement the Kanu Disposal in accordance with its terms.

SPECIAL RESOLUTION NUMBER 1 – APPROVAL OF THE SPECIFIC REPURCHASE

“RESOLVED THAT in accordance with the provisions of section 5.69 of the JSE Listings Requirements and subject to the passing of Ordinary Resolution Number 1, the repurchase of Torre shares by Torre as detailed in paragraph 6.1 of this Circular be and is hereby approved by shareholders and the Company be and is hereby authorised to implement the Specific Repurchase on the terms more fully set out in the Specific Repurchase Agreement, the detail of which has been included in the Circular and copies of which have been made available for inspection by shareholders.”

Reason for and effect of Special Resolution Number 1

In terms of the JSE Listings Requirements, the Specific Repurchase envisaged in the Specific Repurchase Agreement requires the approval of the shareholders by way of a special resolution requiring 75% of the votes exercised by Torre shareholders on the resolution at the General Meeting.

The effect of Special Resolution Number 1, if passed by shareholders, will be that the Company will have the necessary authority in terms of the Listings Requirements to implement the Specific Repurchase.

In terms of the JSE Listings Requirements, KN Capital and its associates will be precluded from voting on Special Resolution Number 1.

ORDINARY RESOLUTION NUMBER 2 – AUTHORITY OF DIRECTORS

“RESOLVED THAT any director of the Company and/or the Company Secretary be and is hereby authorised to do all such things and sign all such documentation as are necessary to give effect to Ordinary and Special Resolutions Number 1, hereby ratifying and confirming all such things already done and documentation already signed.”

Reason for and effect of Ordinary Resolution Number 2

The reason for Ordinary Resolution Number 2 is for shareholders to authorise the parties referred to in Ordinary Resolution Number 2 to do all things and sign all documentation as is required to give effect to and implement the approvals granted by the shareholders at the General Meeting.

The effect of Ordinary Resolution Number 2 if passed by the requisite majority of shareholders will be that the aforementioned parties will be granted the aforementioned authority to act on behalf of shareholders and, to the extent that they may have already acted on behalf of shareholders in any manner as contemplated by Ordinary Resolution Number 2, any such actions will be ratified.

VOTING AND PROXIES

The date on which shareholders must be recorded in the Register for purposes of being entitled to receive this Notice of General Meeting is Friday, 28 April 2017.

The date on which Shareholders must be recorded in the Register for purposes of being entitled to attend and vote at the General Meeting is Friday, 26 May 2017. The last day to trade in order to be entitled to attend and vote at the General Meeting is Tuesday, 23 May 2017.

Section 63(1) of the Companies Act requires that meeting participants provide satisfactory identification. Accordingly, meeting participants may 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 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 certificated shareholders and dematerialised shareholders with “own-name” registration, a form of proxy (*yellow*) is attached hereto. Completion of a form of proxy will not preclude such shareholder from attending and voting (in preference to that shareholder's proxy) at the General Meeting.

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 no later than 09:30 on Friday, 2 June 2017.

Dematerialised shareholders without “own-name” registration who wish to attend the General Meeting in person should request their CSDP or stockbroker to provide them with the necessary letter of representation in terms of their custody agreement with their CSDP or Broker. Dematerialised shareholders without “own-name” registration who do not wish to attend but wish to be represented at the General Meeting must advise their CSDP or stockbroker of their voting instructions. Dematerialised shareholders without “own-name” registration should contact their CSDP or stockbroker with regard to the cut-off time for their voting instructions.

SIGNED AT JOHANNESBURG ON BEHALF OF THE BOARD OF DIRECTORS OF THE COMPANY ON 24 APRIL 2017

By order of the board

Torre Industries Limited

Johan Botes

Chief Executive Officer

24 April 2017



Torre Industries Limited

(Incorporated in the Republic of South Africa)

(Registration number 2012/144604/06)

Share code: TOR ISIN: ZAE000188629

("Torre" or the "Company")

FORM OF PROXY

Where appropriate and applicable the terms defined in the Circular to which this form of proxy is attached and forms part of shall bear the same meaning in this form of proxy.

For use by the holders of certificated shares and/or dematerialised shares held through a CSDP or stockbroker who have selected "own-name" registration, registered as such at the close of business on Friday, 26 May 2017, at the General Meeting to be held at 09:30 on Tuesday, 6 June 2017 or any postponement or adjournment thereof. The form of proxy may also be handed to the chairman of the General Meeting or adjourned General Meeting before the General Meeting is due to commence or recommence.

Persons who have not selected "own-name" registration must inform their CSDP or stockbroker timeously of their intention to attend and vote at the General Meeting or be represented by proxy thereat in order for the CSDP or stockbroker to issue them with the necessary letter of representation to do so or provide the CSDP or stockbroker timeously with their voting instruction should they not wish to attend the General Meeting in order for the CSDP or stockbroker to vote in accordance with their instructions at the General Meeting. Such shareholders must not use this form of proxy.

I/We [FULL NAMES IN BLOCK LETTERS]

(address) [BLOCK LETTERS]

Telephone no: (WORK)()

Telephone no: (HOME)()

Cellphone no.

Email address:

being the holder of certificated or dematerialised shares with "own-name" registration (delete whichever is not applicable) shares hereby appoint:

- _____ or failing him,
- _____ or failing him,
- _____ the chairperson of the General Meeting,

which appointment is irrevocable/revocable as my/our proxy to attend, speak, participate in and vote for me/us on my/our behalf at the General Meeting or any adjournment thereof as follows:

RESOLUTION	For	Against	Abstain
ORDINARY RESOLUTION NUMBER 1 Approval of the Kanu Disposal			
SPECIAL RESOLUTION NUMBER 1 Approval of the Specific Repurchase			
ORDINARY RESOLUTION NUMBER 2 Authorising Resolution			

Insert an "X" in the relevant spaces above according to how you wish your votes to be cast. However, if you wish to cast your votes in respect of a lesser number of shares than you own in the company, insert the number of Shares held in respect of which you desire to vote (see note 2). If no directions are given, the proxy will be entitled to vote or to abstain from voting, as that proxy deems fit. Unless otherwise instructed, the proxy may vote as he/she thinks fit.

Signed at _____ on this _____ day of _____ 2017

Full name _____ Capacity _____

Signature(s) _____

Assisted by (where applicable) _____

Notes:

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space(s) provided. The person whose name appears first on this 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.
2. A proxy appointed by a shareholder in terms hereof may not delegate his authority to act on behalf of the shareholder to any other person.
3. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the shareholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy to vote or abstain from voting at the General Meeting as he deems fit in respect of all the shareholder's votes exercisable thereat.
4. Forms of proxy must be lodged at or posted to **Link Market Services South Africa Proprietary Limited 13th Floor, Rennie House, 19 Ameshoff Street, Johannesburg, 2001 (PO Box 4844, Johannesburg, 2000)** to be received by no later than 09:30 on Friday, 2 June 2017 or not less than 48 hours before the recommencement of any adjourned or postponed meeting, or 10 minutes before the General Meeting is due to commence or recommence.
5. The completion and lodging of this form of proxy will not preclude the relevant 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 shareholder wish to do so. In addition to the foregoing, 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 Torre. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as at the later of the date stated in the revocation instrument, if any; or the date on which the revocation instrument was delivered in the required manner.
6. The chairman of the General Meeting may reject or accept any form of proxy which is completed and/or received otherwise than in accordance with these notes, provided that, in respect of acceptances, he is satisfied as to the manner in which the shareholder(s) concerned wish(es) to vote.
7. Each shareholder is entitled to appoint one or more proxies (none of whom need be a member of Torre) to attend, speak and vote in place of that Shareholder at the General Meeting.
8. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by Torre or Link Market Services South Africa Proprietary Limited or waived by the chairman of the General Meeting.
9. Any alteration or correction made to this form of proxy must be initialled by the signatory(ies).
10. Where there are joint holders of shares:
 - 10.1 any one holder may sign the form of proxy; and
 - 10.2 the vote of the senior (for that purpose seniority will be determined by the order in which the names of shareholders appear in the Register of members) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint holder(s) of Torre Shares.
11. This form of proxy may be used at any adjournment or postponement of the General Meeting, including any postponement due to a lack of quorum, unless withdrawn by the shareholder.

