

RAC

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RAC - Racec Group Limited - Acquisition by Racec of 100% of Greenbro Close

Corporation ("GREENBRO")

RACEC GROUP LIMITED

Incorporated in the Republic of South Africa

(Registration number 1998/006153/06)

Share code: RAC ISIN: ZAE000105409

("RACEC" or "the company")

ACQUISITION BY RACEC OF 100% OF GREENBRO CLOSE CORPORATION

("GREENBRO")

1 INTRODUCTION

Further to the announcement released on SENS on 22 May 2008, shareholders are advised that RACEC, through its subsidiary, RACEC Gauteng (Proprietary) Limited ("RACEC Gauteng"), has acquired an 100% interest in the business of Greenbro ("the acquisition"). RACEC has acquired the trade and assets of Greenbro as a going concern for a price consideration of R10 335 953.

RACEC has also acquired from Shavron Properties Close Corporation ("Shavron property"), the building and premises from which Greenbro currently conducts its business for a consideration of R3 761 184 ("acquisition of the Shavron property"). Hereinafter, the acquisition and the acquisition of the Shavron property are collectively referred to as "the acquisitions".

John Robert Hugh Greenless, the managing member of Greenbro ("John"), will retain an interest in Greenbro by acquiring a 20% interest in RACEC Gauteng.

2 THE ACQUISITION

2.1 Nature of Greenbro business

Headquartered in Parrow, Cape Town, Greenbro specialises in the supply and manufacture of industrial and commercial generators and electrical equipment.

Greenbro was established in 2002 and has developed a range of products and

services which are well diversified across the production, supply and

installation of electrical components including control and switchgear, control

boxes and circuit breakers and the manufacture of a range of generators, which

present additional growth opportunities. In light of the power crisis which is

expected to persist for at least five years until new power stations have been

built, strong demand for generators in the commercial sector (and private

sector, where relevant) is ensured across the country.

Greenbro is also involved in installation services associated with its

equipment, complementing RACEC's extensive skills in the sector.

2.2 Purchase consideration

The purchase consideration for the acquisition and the acquisition of the

Shavron property is R10 355 953 and R3 761 184, respectively.

2.2 The rationale for the acquisitions

The rationale for the acquisitions is, inter alia, as follows:

- through the acquisitions, RACEC will effectively broaden its exposure in the electrification market;
- Greenbro manufactures a range of generators which presents additional growth opportunities.

2.3 Funding and payment of the purchase consideration

The purchase consideration of the acquisition will be settled as follows:

- R6 459 970 is to be paid to Greenbro in cash 21 days after the signing of the acquisition agreement, which was concluded on 29 May 2008. The purchase consideration will be paid out of cash funded by internal cash resources and borrowings;
- the balance of R3 895 983 is to be settled via the issue of shares in RACEC. The issue price of the shares will be determined at the 30 day volume weighted average price calculated on the date of the signature of the acquisition agreement.

The purchase consideration of R3 761 184 payable for the acquisition of the Shavron property will be settled in cash funded from internal cash resources and a bond obtained from ABSA Bank Limited.

2.4 Conditions precedent and effective date

In terms of the acquisition agreement, the acquisition is subject to:

- John acquiring a 20% shareholding in RACEC Gauteng from RACEC;
- John and Terry Webster Usher, a member of Greenbro, entering into a restraint of trade agreement in terms of which they undertake not to compete with the business of Greenbro;
- RACEC Gauteng acquiring ownership of the Shavron property.

The effective date of the acquisition is 1 March 2008.

3 PRO FORMA FINANCIAL EFFECTS OF THE TRANSACTIONS

The table below sets out the unaudited pro forma financial effects of the acquisitions on RACEC's earnings per share, headline earnings per share, net asset value per share and tangible net asset value per share. The unaudited pro forma financial effects have been prepared to illustrate the impact of the proposed acquisitions on the reported financial information of RACEC for the six months ended 31 March 2008, had the proposed acquisitions occurred on 1 October 2007 for income statement purposes and on 31 March 2008 for balance sheet purposes.

The unaudited pro forma financial effects have been prepared using accounting

policies that comply with International Financial Reporting Standards and that are consistent with those applied in the audited results of RACEC for the twelve months ended 30 September 2007 as well as the six months ended 31 March 2008.

The unaudited pro forma financial effects, which are the responsibility of the directors, are provided for illustrative purposes only and, because of their pro forma nature may not fairly present RACEC's financial position, changes in equity, results of operations or cash flow.

| Percentage | Before the acquisitions | After the acquisitions e change |
|------------------------------------|-------------------------|---------------------------------|
| (%) | | |
| Basic earnings per share (cents) | 6.5 | 7.0 |
| 7.7 | | |
| Headline earnings per share | 6.6 | 7.1 |
| 7.6 | | |
| (cents) | | |
| Net asset value per share (cents) | 45.3 | 46.1 |
| 1.8 | | |
| Tangible net asset value per share | 43.7 | 43.7 |
| - | | |
| (cents) | | |
| Weighted average number of shares | 100 000 | 103 005 |
| 3 | | |
| in issue (000`s) | | |
| Fully diluted weighted average | 100 000 | 103 005 |
| 3 | | |
| number of shares in issue (000`s) | | |

Notes:

1 The amounts in the "Before the acquisitions" column have been extracted from the reviewed interim results of RACEC for the six months ended 31 March 2008.

2 The amounts in the "After the acquisitions" column reflect the financial effects of the acquisition on RACEC.

3 The effects on basic earnings per share and headline earnings per share are calculated based on the assumption that the acquisitions were effected on 1 October 2007.

4 The effects on net asset value per share and tangible net asset value per share are calculated based on the assumption that the acquisitions were effected on 31 March 2007.

5 June 2008

Sponsor

Merchant Sponsors (Proprietary) Limited

Auditors and reporting accountants

BDO Spencer Steward (Cape) Inc.

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