RECM AND CALIBRE

RECM AND CALIBRE LIMITED

Incorporated in the Republic of South Africa
(Registration number 2009/012403/06)
Preference share code: RACP
ISIN: ZAE000145041
("RAC" or "the Company")

AUDITED ABRIDGED RESULTS

for the year ended

31 March 2014

COMMENTARY

OVERVIEW

To my fellow shareholders of RECM and Calibre ("RAC")

We have spent three years acquiring a portfolio of businesses that are well run by honest and competent managers. We have primarily focused on acquiring the right businesses at the right price. We are just about in a position where the heavy lifting will be done by our investee companies, which will be reflected in a higher growth rate of our NAV per share.

Last year the Net Asset Value (NAV) of our company, for both the ordinary and the participating preference shares, grew by 4,1% on a per share basis. By comparison, the total return generated by the JSE All Share Index, with dividends included, was 23,6%. We listed in June 2010. Since then, the market has grown by 104%. Over that same period, our NAV per share has grown by 23%. As such, we find ourselves somewhat behind our primary goal of outperforming the average listed company. The good news is that we have outperformed our secondary goals: we have grown in real terms (i.e. in excess of inflation), and we have done better than money in the bank.

My partners and I firmly believe that the intrinsic value of RAC is increasing at a much faster rate than the accounting NAV, and we have put our money where our (collective) mouth is.

Between the three of us, we added significantly to our holding of both ordinary and preference shares over the past year. In total, we acquired 1 729 804 ordinary shares for a consideration of R23 517 077. Additionally, we bought 1 165 182 preference shares in the open market for a consideration of R14 689 627.

None of us have ever received any free or discounted shares, and we have no share option scheme in place. Every share we own, we have bought with our own money. We believe this is true skin in the game.

The fact remains, relative to the market, our accounting NAV has underperformed. There are a number of factors at work.

Our valuation policy is conservative. Appraising the value of a business is not a straightforward operation, and does not deliver indisputable single point solutions. When one values a business, you are expressing an opinion, and in my experience, one should hold such opinions lightly.

Being an investment entity, our valuation rules are simple: if a company we own is listed, we use the market price. If it is unlisted, but there is an active secondary market, we will use that price. We might not always agree with valuations derived from observable transactions, but it is an objective, arm's length appraisal. Anything we might come up with is at best an educated guess, and at worst a subjective, emotional stab in the dark.

Accounting rules now force us to come up with exactly such a stab as there is no secondary market for some of our privately owned businesses. This process is called "Fair Value Accounting" and I am convinced that it will be abandoned at some point in the future in the wake of fraud and scandal. The incentives guarantee it. Like teenagers at an open bar party, things will get out of hand. Over time, we too, will have to make adjustments to the values at which assets are carried in our accounts to comply with IFRS. At RAC, we will account for our activities as conservatively as we can.

As a result, the first point to remember when judging the growth of RAC's NAV against that of the stock market is that almost a quarter of our NAV is still held at cost, which is our conservative best estimate of fair value. Please refer to the portfolio discussion further on for more detail about these businesses.

Conversely, valuations in the stock market are today arguably less conservative. Market valuations today are influenced by two stories. One goes that you can't pay a high enough price for a good quality business that has a growing dividend stream, on account of the low level of interest rates. The second story goes that in a world where growth is scarce, you can't pay enough for growing assets. Companies involved in "Tech 2.0", "Africa" and "Education", amongst other, currently fit this bill. In my opinion, story stocks have driven market valuations significantly above levels where there is a satisfactory margin of safety.

Therefore, the second point to remember is that the market growth, to which our NAV growth is compared, has outstripped its underlying fundamentals. I have no doubt this will be, in due course, corrected – a correction which will have less effect on the NAV of RAC.

At this point I should mention that our most significant acquisition this year does not even appear on our balance sheet, yet I have no doubt that it will also contribute to higher growth going forward: in April of this year, we welcomed Jan van Niekerk to the partnership that manages the affairs of RAC. Jan joined us early in the financial year, and has already made huge contributions – both at RECM, where he is the CEO, and at RAC, where he is the CFO. Both Theunis and I are pleased to have him aboard as our partner, and look forward to working with Jan for many, many years to come.

The below table sets out the composition of our Net Asset Value:

COMPOSITION OF NAV

Investment	Note	Initial investment Rm	Fair value [1] Rm	% of portfolio	Share of earnings [2] Rm
Retail Safari and Outdoor; Fledge	3	**99,8**	**99,8**	**16,0**	**3,6**
Mining and Engineering Trans Hex; ELB Group	4	**62,0**	**81,5**	**13,2**	**0,6**
Food and Beverage KWV; Sovereign Food; KLK Landbou	5	**76,1**	**82,7**	**13,4**	**7,8**
Other long-term investments The American Home; Conduit Capital; Excellerate Holdings	6	**56,4**	**76,1**	**12,6**	**11,1**
Other investments	7	**61,3**	**55,6**	**9,0**	**(6,7)**
Total investments		**355,6**	**395,7**	**64,2**	**16,4**
Cash retained for commitments Goldrush; Namakwa Diamonds; JV with ELB Group	8		**180,0**	**29,2**	
Remaining cash		**228,9**	**48,9**	**7,9**	
Total investments		**584,6**	**624,6**	**101,3**	
Net other liabilities			**(8,7)**	**(1,3)**	
Net asset value			**615,9**	**100,0**	

Notes:

1. *As mentioned above, we have placed a fair value on all the assets. Where possible, we used market prices. Where these were not available, we used our own estimate of fair value. Due to the uncertainty around valuation, in many instances our best estimate of fair value currently does not differ much from the price at which we made the initial acquisition.*

2. *These are our share of the net profits after tax of our investee businesses. These numbers refer to the latest reported 12-month period for each company; they have not been audited, and some of them are derived from management accounts or have otherwise been estimated. The earnings numbers assume we held our investments for the full year.*

3. *RAC owns 27% of Safari and Outdoor, and my partner Theunis de Bruyn is on the board. This business consists of two stores, one in Stellenbosch and one in Pretoria. They sell hunting and outdoor equipment. Revenue and profits have grown by over 20% for the financial year ending March. During May 2014 a new store was opened in Rivonia, which should further enhance their growth prospects.*

   We also own a minority stake in a leveraged structure called Fledge Holdings, which in turn owns a small stake in Dischem. Dischem is a privately owned health and beauty focused retailer. They are currently growing rapidly, through an expanding footprint and market share gains. We have not included any earnings from Dischem in the table, as the debt in the Fledge structure has first call on any earnings.

4. *Recently, we acquired a stake of just less than 12% of Transhex. As Transhex is our partner in the proposed Namakwa transaction (see note 8), we have effectively increased our exposure to it. We know the company well, as Theunis has been on the board for over 5 years. In the year to March Transhex made a small profit, after recovering from losses incurred during the first half. Profitability is not yet where it should be, and we expect continued improvements in future.*

RAC owns 3,1% in ELB Group, a well-managed engineering business. They dealt with the turmoil caused by the financial crisis very well, and are now benefitting from the weak position of many of their competitors. In their most recent reporting period they maintained earnings and actually grew their dividend, in a very tough environment. Theunis also serves on their board, and has done so for almost 8 years. We couldn't ask for better partners, and we aim to do more business with them – see note 8. After year-end we (marginally) increased our stake in the business by tendering our holding of B&W Instrumentation shares into the scheme of arrangement whereby ELB acquired the entire shareholding of B&W.

5. *RAC owns 4,7% of KWV, which is priced at less than half its book value – a book value which is growing, albeit slowly. This year, KWV returned to marginal profitability, and if management's endeavor to improve its local and global sales execution works, it can earn substantially more. We don't know if this will happen, but we have a high regard for the management team – and if the prizes their wines are winning are any indication, the odds favour success. Over the past year, we have continued to add to our holding.*

   We also own 11,3% of Sovereign Foods, a poultry producer in the Eastern Cape area. Management is doing a good job in running the business efficiently and growing its product range. Earnings are under pressure currently, but we think that Sovereign will be a major beneficiary of the tough times the industry is going through at present. The weaker competitors are going out of business; the irrational, continuous, industry capacity expansion has been stymied and the weak rand is making imports less competitive. Over the past year, our ownership stake has increased, both through our own buying of shares, as well as Sovereign buying back its shares in the open market. The poultry industry is going through a wave of consolidation; we think Sovereign is buying up the cheapest assets in the industry.

   We have a small investment of 5,6% in KLK Landbou Bpk, an agri-business headquartered in Upington. Their main lines of business include meat processing, fuel sales and motor dealerships. It is a well-run business, and profitability has been on a tear over the past few years. Two years ago RAC tendered an offer to purchase an influential stake in the business. Unfortunately, we only ended up with our current holding, and were not able to progress further. However, we are very happy with this passive minority investment, and look forward to further supporting the management team in their endeavours.

6. *Our other long-term investments are a diverse group. RAC owns 7% of Conduit Capital, a specialist insurance business. Management has done a good job of underwriting risk over the past few years. In their most recent set of financial results, net written premium grew by 17% – always a good indicator of future profitability, as long as the underwriting is sound. Management is incentivized on underwriting profitability, not premium growth or investment income, which augurs well for future profitable growth. We increased our holding in this company over the past year.*

   RAC owns 6% of Excellerate Holdings, an unlisted industrial services company. Despite the tough economic environment, they grew revenue by 10%, and net profits by 22%. This management team punches way above their weight, and we can't wait to see what they come up with over the next few years.

   We also own 1,6% of The American Homes (TAH), a single family residential REIT, based in Atlanta, Georgia. Here, the news is not so good. After a good 2012, the NAV of the company suffered a modest decline last year, mainly due to poor operational controls. While it was growing rapidly, these deficiencies went undetected. When TAH stopped their buying program due to higher home prices, they presented themselves with a bang. And as is always the case with this sort of thing, the problems are larger, take longer and cost more to fix than one would expect. The good news is that management appears to have appointed some good people and resolved the issues; the company is back on a firm footing. Having said all of that, it is becoming clear that the long-term economics of buy to let are not all that enticing – even when one buys homes at well below replacement cost. So far, the investment outcome has been satisfactory, but below our high expectations, and together with the management team we are reviewing our options.

7. *Our other investments have reduced (in number) significantly over the past year. We completely exited from Infrasors, Afrocentric, Trustco, Argent, Amecor, ElementOne, and Metrofile. In some cases we made mistakes in evaluating the economics of the business or the quality of management. In others, the price the market offered for our stake was irresistible. Be that as it may, this group of "mistakes" of one form or another made us a tidy profit of almost R32mn on an initial investment of R72mn. We would gladly make such mistakes again and again, if they all had this outcome.*

Unfortunately, they don't. We are still part owner of 6 companies in this category and, as is always the case, we ended up keeping the worst for last. Their valuations relative to our initial investment shows this clearly. Fortunately after year-end we sold one (in return for ELB Group stock) and there seem to be offers for two others on the horizon. We will do our utmost to realize the best value we can. But we do not have high hopes here. It is possible that the value of these companies as a group declines further over time.

The losses this group made as a whole stems from one investee Company, and is due to a once-off balance sheet adjustment. After year-end, this business has filed for business protection. Our exposure at cost was just over 3% of NAV. All the other companies in this group traded profitably, and seem set for further growth going forward.

8. *After year-end, we closed our initial 20% investment in Goldrush, a leading operator of bingo and limited pay-out machines in South Africa. Our transaction has a clear and specific agreement between management, the founder of the business, and ourselves for RAC to further increase its stake in Goldrush in the foreseeable future. Here, Jan represents us on the board. The company owns 18 Bingo licenses, of which 10 are operational – mostly in Gauteng, Northwest and Mpumulanga provinces. Much effort (and expenditure) is going into acquiring and activating sites for the other 8 licenses. Goldrush also own 3 LPM Route operator licenses in Gauteng, Northwest and Limpopo provinces, which are already making a tidy profit. Overall, net profit after tax for this business has grown by over 100% – off a very low base – in their current financial year.*

   We are fortunate enough to partner with a wonderful management team, running a business with good economics. Our expectations for this business are high.

   Our potential investment of 27,2% in Namakwa Diamonds has been held up for over three years now by one precedent condition, which remained outstanding as at our financial year-end. Over this period, the amount we have committed to the transaction has reduced from an initial R120mn to R40mn. The size of our interest has reduced from 34% to 27,2%. The economics of the business remain favourable, and we couldn't wish for a better management team than that of Transhex to partner with in acquiring an asset of this nature. Subsequent to our year-end, the sale agreement has been amended and the effective date of the transaction is now expected to be October 2014.

   During the year we entered into a joint venture agreement with ELB Group to pursue opportunities in the mining sector, through operating tolling businesses with modular plant designed by ELB engineering. We have yet to enter into our first agreement, but prospects seem encouraging. Very few players are willing to finance infrastructure in this sector, potentially creating good investment opportunities.

Our pipeline of potential transactions remains exciting, and we have the capacity to invest in new projects. During the course of the year, our shareholders approved changes to our capital structure which allows us the flexibility to access such funding under certain conditions.

EXTERNAL AUDIT OPINION

The external auditors, Ernst & Young Inc., have audited the financial statements of RECM and Calibre Limited for the year ended 31 March 2014 from which these summary financial statements have been extracted. A copy of their unmodified audit report is available for inspection at the Company's registered office. Any reference to future financial performance included in this announcement has not been reviewed nor reported on by the auditors.

Signed on behalf of the board

PG Viljoen **JC van Niekerk**

Cape Town
18 June 2014

Directors: PG Viljoen (Chairman), MVP Davis, T de Bruyn, G Pretorius, JG Swiegers, JC van Niekerk

Company Secretary: G Simpson

Financial results preparer: Wesley Junor CA(SA)

Registered Office: 7th Floor Claremont Central, 8 Vineyard Road, Claremont, 7700 South Africa

Transfer Secretaries: Link Market Services South Africa (Pty) Ltd, 13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein, 2001

Sponsor: Questco (Pty) Ltd, Entrance D, 2nd Floor, The Pivot, 1 Montecasino Boulevard, Fourways, 2055

STATEMENT OF FINANCIAL POSITION

at 31 March 2014

	Notes	2014 R	Restated 2013 R
ASSETS			
Non-current assets		**525 909 430**	447 802 810
Investments	4	**505 987 018**	447 802 810
Trade and other receivables		**19 922 412**	–
Current assets		**105 919 966**	158 221 213
Investments	4	**98 631 775**	152 579 425
Trade and other receivables		**7 186 314**	4 267 845
Current tax receivable		**–**	1 153 402
Cash and cash equivalents		**101 877**	220 541
Total assets		**631 829 396**	606 024 023
EQUITY AND LIABILITIES			
Equity		**615 948 075**	591 632 483
Share capital – ordinary shareholders		**50 000 000**	50 000 000
Share capital – preference shareholders	3	**450 000 000**	450 000 000
Reserves		**55 334 324**	54 169 932
Retained income	3	**60 613 751**	37 462 551
Liabilities			
Non-current liabilities		**12 424 971**	13 296 442
Deferred tax		**12 424 971**	13 296 442
Current liabilities		**3 456 350**	1 095 098
Trade and other payables		**1 861 639**	1 095 098
Current tax payable		**1 594 711**	–
Total equity and liabilities		**631 829 396**	606 024 023
Number of shares in issue			
Ordinary shares		**5 000 000**	5 000 000
Preference shares		**45 000 000**	45 000 000
Net asset value			
Net asset value attributable to ordinary shareholders		**61 594 807**	59 163 249
Net asset value attributable to preference shareholders		**554 353 268**	532 469 234
Net asset value per ordinary share (cents)		**1 232**	1 183
Net asset value per preference share (cents)		**1 232**	1 183

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2014

	2014 R	Restated 2013 R
Revenue	**19 234 657**	20 773 118
Operating expenses	**(8 943 652)**	(8 070 220)
Operating profit	**10 291 005**	12 702 898
Other income	**24 818 928**	2 066 548
Impairments recycled through profit and loss	**(6 143 738)**	–
Profit before taxation	**28 966 195**	14 769 446
Taxation	**(5 814 995)**	(3 128 904)
Profit for the year	**23 151 200**	11 640 542
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Net gain on available-for-sale financial instruments	**20 106 627**	30 757 099
Realised gain on sale of available-for-sale investments recycled to profit or loss	**(24 818 928)**	(1 520 604)
Impairment loss reclassified	**6 143 738**	–
Taxation related to components of other comprehensive income	**(267 045)**	(5 457 752)
Other comprehensive income for the year net of taxation	**1 164 392**	23 778 743
Total comprehensive income	**24 315 592**	35 419 285
Earnings and headline earnings per share		
Per share information (ordinary and preference)		
Basic and diluted earnings per share (cents)	**463**	233
Headline earnings per share (cents)	**159**	208

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2014

	Note	Preference share capital R	Ordinary share capital R	Fair value adjustment assets available-for-sale reserve R	Retained income R	Total share-holders' equity R
Balance at 1 April 2012, as previously stated		–	50 000 000	30 391 189	(24 769 869)	55 621 320
Restatement	3	450 000 000	–	–	50 591 878	500 591 878
Balance at 1 April 2012, restated		450 000 000	50 000 000	30 391 189	25 822 009	556 213 198
Profit for the year		–	–	–	11 640 542	11 640 542
Other comprehensive income		–	–	23 778 743	–	23 778 743
Balance at 31 March 2013		**450 000 000**	**50 000 000**	**54 169 932**	**37 462 551**	**591 632 483**
Profit for the year		**–**	**–**	**–**	**23 151 200**	**23 151 200**
Other comprehensive income		**–**	**–**	**1 164 392**	**–**	**1 164 392**
Balance at 31 March 2014		**450 000 000**	**50 000 000**	**55 334 324**	**60 613 751**	**615 948 075**

STATEMENT OF CASH FLOWS

for the year ended 31 March 2014

	2014 R	Restated 2013 R
Cash flows from operating activities		
Cash utilised in operations	**(8 841 721)**	(7 433 156)*
Interest income	**13 691 554**	19 522 763 *
Dividends received	**3 289 244**	3 130 578
Tax paid	**(4 205 398)**	(4 671 592)
Net cash inflow from operating activities	**3 933 679**	10 548 593
Cash flows from investing activities		
Loans to investees	**(19 922 412)**	–
Purchase of other financial investments	**(161 150 403)**	(130 587 179)*
Proceeds on disposal of financial investments	**177 020 472**	119 557 086 *
Net cash outflow from investing activities	**(4 052 343)**	(11 030 093)
Net movement in cash and cash equivalents	**(118 664)**	(481 500)
Cash and cash equivalents at beginning of the year	**220 541**	702 041
Cash and cash equivalents at the end of year	**101 877**	220 541

* *Prior year figures reclassified to show the interest movement fully in interest income as opposed to in cash utilised in operations as well as to show the split of investing activities between acquisitions and proceeds on disposals. Cash utilised in operations and interest income were previously reported as (R4 032 330) and R17 642 540. Net cash outflows from investing activities was previously reported as (R12 550 696).*

NOTES TO THE ABRIDGED RESULTS

1. BASIS OF PREPARATION

The summary financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for abridged reports, and the requirements of the Companies Act applicable to summary financial statements. The Listings Requirements require abridged reports to be prepared in accordance with the framework concepts and 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 the Financial Reporting Standards Council, and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the financial statements, from which the summary financial statements were derived, are in terms of International Financial Reporting Standards and are consistent with the accounting policies applied in the preparation of the previous annual financial statements, other than as more fully set out below.

IFRS 8 – Operating Segments has not been applied. Operating decisions of the Company are not made based on Segments, but rather by looking at each investment individually.

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of RECM and Calibre Limited.

2. CHANGES IN ACCOUNTING POLICY

The Company has early adopted the exemption in IFRS 10 relating to “Investment Entities”, with a date of initial application of 1 April 2013.

The reason the Company has early adopted the exemption in IFRS 10, is to ensure more appropriate accounting and disclosure for its investments where it has control or significant influence. Consolidation of investments that have a business unrelated to that of an Investment Entity, can lead to confusing results and disclosures, and hence, adoption of the exemption to consolidate will provide results and disclosures that are more appropriate for users of the financial statements.

As a result of the adoption of the exemption in IFRS 10 relating to “Investment Entities”, the Company is no longer consolidating its subsidiaries, but accounting for them at fair value under IAS 39.

The Company’s subsidiary, the RECM Institutional Worldwide Flexible Fund (WWFF) is no longer consolidated. The RECM Institutional Worldwide Flexible Fund is a Collective Investment Scheme, operating in South Africa, 99,9% of which is owned by the Company.

The fair value of the subsidiary as at 31 March 2014 is R202 361 940 (31 March 2013: R265 160 302), which is the value at which it was held in the accounts of the Company. The impact of not consolidating the WWFF will have no impact on the Net Asset Value of the Company. Whereas previously, in the consolidated Group accounts, we would have reflected all the underlying assets and liabilities of the WWFF, we now only show the fair value of the investment in the Company accounts with no Group accounts being shown. The Company accounts have always reflected the investment in the WWFF at fair value, thus there is no need for a restatement.

3. PRIOR PERIOD RESTATEMENT OF PREFERENCE SHARES AS EQUITY INSTRUMENTS

The Company changed its classification of the preference shares from liability instruments to equity instruments. In previous years the preference shares were classified as liabilities. We now believe the substance of these shares is that of equity rather than debt as per IAS 32.

The preference shares issued by the Company do not have a fixed maturity, and the Company has no contractual obligation to make any payments in relation to the preference shares. As a result, the Company has changed its classification of the preference shares to equity, and the directors feel that this change allows for more appropriate disclosure for readers of the financial statements. In terms of IAS 8 we need to restate the prior year financial statements. Previously the preference shares were classified as financial liabilities at fair value through profit and loss. In the current year they have been classified as equity instruments which are carried at the consideration received for them. This results in fair value gains and losses previously recorded in profit and loss having to be reversed, impacting profit and loss, opening retained income and the carrying value of the preference shares.

The change in accounting policy does not affect the Net Asset Value per share for the current or any prior years.

The restatements are as follows:

	2013		2012	
	As previously stated R	Restated R	As previously stated R	Restated R
Statement of comprehensive income				
Fair value adjustment on financial liabilities	(31 877 356)	–		
(Loss)/profit before tax	(17 107 910)	14 769 446		
(Loss)/profit for the year	(20 236 814)	11 640 542		
Basic and diluted earnings per share	(405)	233		
Headline earnings per share	(435)	202		
Statement of financial position				
Retained income	(45 006 683)	37 462 551	(24 769 869)	25 822 009
Preference shares – liability	532 469 234	–	500 591 878	–
Preference shares – equity	–	450 000 000	–	450 000 000

	2014 R	2013 R
4. INVESTMENTS		
Fair value hierarchy of available-for-sale financial assets		
Level 1		
Class 1 – Listed shares – Quoted	**139 546 424**	102 223 402
Class 2 – Unlisted shares – Quoted	**33 393 135**	34 319 355
	172 939 559	136 542 757
Level 2		
Class 3 – Unit trusts	**275 624 310**	315 562 953
Listed investments	**72 062 485**	139 522 459
Cash	**203 561 825**	176 040 494
Class 4 – Call accounts	**25 360 823**	102 038 071
	300 985 133	417 601 024
Level 3		
Class 5 – Unlisted shares – Unquoted	**130 694 101**	46 238 454
	130 694 101	46 238 454
Total available-for-sale financial assets at fair value	**604 618 793**	600 382 235
Non-current assets		
Available-for-sale	**505 987 018**	447 802 810
Current assets		
Available-for-sale	**98 631 775**	152 579 425
Total investments	**604 618 793**	600 382 235
Level 3 reconciliation		
Opening balance	**46 238 454**	280 000
Purchases	**79 875 437**	42 388 454
Sales	**–**	–
Gains on investments	**4 580 210**	3 570 000
Closing balance	**130 694 101**	46 238 454

Level 1

Class 1 available-for-sale financial assets are valued at the listed price per the exchange on which they trade.

Class 2 available-for-sale financial assets are valued at the quoted price based on the latest over the counter trades.

Level 2

Class 3 available-for-sale financial assets are valued at the net asset value of the unit trust.

Class 4 available-for-sale financial assets are valued by taking the following market observable data into account and applying them to the holdings:

- credit spread of the institution at which the funds are held
- any difference in the interest rate earned and what is available in the market

Level 3

Class 5 available-for-sale financial assets are valued using a number of valuation techniques based on the following unobservable market data for each investment:

- Net profit of investee
- Equity and net debt of investee
- Return on capital
- Price/Earnings ratio
- Expected cash flows

Management uses the above information in multiple valuation techniques as well as profitability valuation techniques by comparing the investee information to similar type entities in the listed market. The nature of the fair value calculations means that fair values range greatly and are sensitive to indirect and direct quantifiable and unquantifiable inputs. Factors that we took into account in all valuations include the current market conditions, the invested market segment and interest rate certainty. The market for these instruments often has significant barriers to entry, making the comparison pool of similar entities very shallow. Specifically, the retail pharmaceutical industry and hunting equipment industry have few market entrants with little reliable comparative data. Like all our investments, we plan on seeing the value of the business grow over a number of years to realise their true potential. Where we have influence over our investee companies we plan to play an active role in the long term strategy of the company, ensuring that our interests are aligned.

5. EVENTS AFTER THE REPORTING DATE

On 5 May 2014, RAC Investment Holdings (Pty) Ltd, a 100 % subsidiary of the Company, purchased 30 323 689 shares in Goldrush Group Proprietary Limited for an amount of R41 840 626. Goldrush is a gaming group, focused largely on the Bingo and Limited Payout Machines (LPMs) sector.

On 5 June 2014, amendments to the Sale Agreement entered into between Emerald Panther Investments 78 (Pty) Ltd ("EPI") and De Beers Consolidated Mines Limited ("DBCM") to purchase Namaqualand Mines ("NM") were signed. This will facilitate the purchase by RAC of a shareholding in EPI of 27,2%. The NM transaction has certain conditions pending, which are expected to be met on or about 31 October 2014.

On 2 June 2014, Protech Khuthele Holdings Limited ("Protech") issued a notice of application for business rescue and cautionary announcement. Shareholders were advised that Protech would commence with voluntary business rescue. Shareholders were further advised that Protech has received demands for immediate repayment for project expenses incurred which Protech is unable to pay. Protech believes there is a reasonable prospect of rescuing the company, as the assets, fairly valued exceed the liabilities of the company. At cost, RAC had a 3% exposure to Protech within its portfolio of assets.