

**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 Group")

**Commentary on the group interim financial results for the six months ended 30 September 2013**

During the period under review, we have sold R40mn of listed shares, for an unsatisfactory gross return of 20% over the holding period. We have invested R60mn into predominantly unlisted investments; invested R30mn into an operating business in the retail sector and committed roughly R150mn to an unlisted operating business in the gaming sector.

Our commitment to purchase Namaqualand Mines from De Beers Consolidated Mines Limited as part of a consortium led by Trans Hex Group Limited remains in place, but has still not yet been consummated. We have committed about R90 million to this investment.

RAC's NAV has increased to R11,87 per share (preference and ordinary) at the end of the current reporting period. As we increase our exposure to operating assets over which we have significant influence, NAV as a measure of value will become less important, and earnings will increase in importance. We plan to have finalised our major outstanding investment commitments by year end, at which stage we will explain in more detail how we would think about measuring and evaluating the intrinsic value of RAC.

RAC's portfolio of investments is currently structured as follows:

Long term minority investments (listed and unlisted)	R240mn	40% of NAV
Sovereign Foods		
KWV		
Fledge Capital (Dischem)		
American Homes		
And some smaller investments		
Minority Investments held for sale (listed and unlisted)	R95mn	15% of NAV
Operating assets with significant influence	R30mn	5% of NAV
Retail (Safari and Outdoor)		
Operating assets with significant influence (agreed but not closed)	R240mn	40% of NAV
Gaming		
Diamond mining		

Minority investments are held at market price if there is an exchange traded or over the counter traded price. If not, they are held at cost. Operating assets are held at cost plus any equity accounted earnings.

Unaudited unreviewed consolidated group interim financial results for the six months ended 30 September 2013

Statement of Financial Position	Notes	Six months ended 30 September 2013 R	Twelve months ended 31 March 2013 R	Six months ended 30 September 2012 R
<b>Assets</b>				
<b>Non-current assets</b>				
Other financial assets	1	281 949 695	322 303 670	249 412 667
Investments in associates		90 037 314	-	-
<b>Current assets</b>				
Other financial assets	1	228 118 881	281 793 474	322 108 630
Trade and other receivables		6 207 811	556 890	474 513
Current tax receivable		-	1 153 402	-
Cash and cash equivalents		174 662	345 356	228 412
<b>Total assets</b>		<b>606 488 363</b>	<b>606 152 792</b>	<b>572 224 222</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Share capital	2	50 000 000	50 000 000	50 000 000
Reserves	3	40 820 620	46 225 052	26 132 274
Retained income	3	(31 491 568)	(37 050 655)	(19 850 891)
<b>Total Equity</b>		<b>59 329 052</b>	<b>59 174 397</b>	<b>56 281 383</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Other financial liabilities	4	533 956 172	532 564 276	506 527 145
Deferred tax	6	10 772 422	13 296 442	6 869 334
<b>Current liabilities</b>				
Trade and other payables		992 163	1 117 677	841 459
Current tax payable		1 438 554	-	1 704 901
<b>Total equity and liabilities</b>		<b>606 488 363</b>	<b>606 152 792</b>	<b>572 224 222</b>

	Notes	Six months ended 30 September 2013	Twelve months ended 31 March 2013	Six months ended 30 September 2012
		R	R	R
<b>Statement of Comprehensive Income</b>				
Revenue		10 193 911	20 834 955	11 916 015
Operating expenses		(4 356 694)	(7 970 802)	(4 060 476)
Operating profit		5 837 217	12 864 153	7 855 539
Fair value adjustment on financial liabilities		(1 391 896)	(31 953 289)	(5 916 158)
Income from associate		700 895	-	-
Realised gain on the sale of investment		3 203 754	6 217 664	2 307 665
Other income		-	545 944	-
Profit / (loss) before taxation		8 349 970	(12 325 528)	4 247 046
Taxation		(2 790 883)	(3 128 904)	(2 501 714)
Net profit / (loss) after taxation		5 559 087	(15 454 432)	1 745 332
Other comprehensive income		(5 404 432)	19 004 797	(1 087 981)
Available-for-sale financial assets adjustment		(4 442 419)	30 680 213	1 122 676
Realised gain on the sale of investments reclassified		(3 203 754)	(6 217 664)	(2 307 665)
Taxation related to components of other comprehensive income		2 241 741	(5 457 752)	97 008
<b>Total comprehensive income attributable to ordinary shareholders</b>		154 655	3 550 365	657 351
<b>Adjusted comprehensive income</b>	7	1 546 551	35 503 654	6 573 509
<i>Adjusted comprehensive income attributable to:</i>				
Ordinary shareholders	7	154 655	3 550 365	657 351
Preference shareholders	7	1 391 896	31 953 289	5 916 158
<b>Per share information (ordinary)</b>				
Basic earnings per share (cents)	8	111	(309)	35
Headline earnings per share (cents)	8	47	(433)	(11)

<b>Statement of Changes in Equity</b>
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	Share capital	Share premium	Total share capital	Fair value adjustment assets - available-for-sale reserve	Retained income	Total Equity
	R	R	R	R	R	R
Balance at 31 March 2012	50 000	49 950 000	50 000 000	27 220 255	(21 596 223)	55 624 032
<i>Changes in equity</i>						
Total comprehensive (loss)/income	-	-	-	(1 087 981)	1 745 332	657 351
<b>Balance 30 September 2012</b>	50 000	50 000 000	50 000 000	26 132 274	(19 850 891)	56 281 383
<i>Changes in equity</i>						
Total comprehensive income	-	-	-	20 092 778	(17 199 764)	2 893 014
<b>Balance 31 March 2013</b>	50 000	49 950 000	50 000 000	46 225 052	(37 050 655)	59 174 397
<i>Changes in equity</i>						
Total comprehensive (loss)/income	-	-	-	(5 404 432)	5 559 087	154 655
<b>Balance 30 September 2013</b>	50 000	49 950 000	50 000 000	40 820 620	(31 491 568)	59 329 052
	(Note 2)	(Note 2)	(Note 2)	(Note 3)	(Note 3)	

Six months ended 30 September 2013	Twelve months ended 31 March 2013	Six months ended 30 September 2012
R	R	R

<b>Statement of Cash Flows</b>
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**Cash flows from operating activities**

Cash (utilised in) / received from operations	(11 548 295)	280 729	1 948 168
Interest income	6 592 475	17 680 235	13 572 368
Dividends received	7 096 307	3 154 720	2 173 534
Tax paid	(196 056)	(4 671 592)	(2 049 335)
	1 944 431	16 444 092	15 644 735

**Cash flows from investing activities**

Purchase of investments in associates	(89 336 419)	-	-
Net disposals / (additions) to other financial assets	87 221 294	(16 990 620)	(16 308 207)
	(2 115 125)	(16 990 620)	(16 308 207)
Total cash movement for the period	(170 694)	(546 528)	(663 472)
Cash at beginning of period	345 356	891 884	891 884
Total cash and cash equivalents end of period	174 662	345 356	228 412

**Notes to the interim results for the period ended 30 September 2013**

	Six months ended 30 September 2013	Twelve months ended 31 March 2013	Six months ended 30 September 2012
	R	R	R
<b>1 Other financial assets</b>			
Available-for-sale financial instruments			
Non-current assets			
Listed - Quoted	202 999 473	241 745 861	207 925 265
Unlisted - Quoted	29 750 772	34 319 355	12 358 301
Unlisted - Unquoted	49 199 450	46 238 454	29 129 101
	<u>281 949 695</u>	<u>322 303 670</u>	<u>249 412 667</u>
Current assets			
Money Market Funds	228 118 881	281 793 474	322 108 630
Total other financial assets	<u>510 068 576</u>	<u>604 097 144</u>	<u>571 521 297</u>
<b>2 Ordinary Share Capital</b>			
<b>Authorised</b>			
5 000 000 Ordinary shares of R0.01 each	50 000	50 000	50 000
<b>Issued</b>			
5 000 000 Ordinary shares of R0.01 each	50 000	50 000	50 000
Share premium	49 950 000	49 950 000	49 950 000
	<u>50 000 000</u>	<u>50 000 000</u>	<u>50 000 000</u>
<b>3 Reserves and Retained Income</b>			
The reserves comprise all fair value adjustments on available-for-sale financial instruments. When an asset or liability is derecognised, the fair value adjustment relating to that asset or liability is transferred to profit or loss.			
Available-for-sale financial instruments	51 593 042	56 834 733	33 001 608
Deferred tax on available-for-sale financial instruments	(10 772 422)	(10 609 681)	(6 869 334)
Reserves	<u>40 820 620</u>	<u>46 225 052</u>	<u>26 132 274</u>
Retained income	<u>(31 491 568)</u>	<u>(37 050 655)</u>	<u>(19 850 891)</u>
Total Reserves and Retained Income	<u>9 329 052</u>	<u>9 174 397</u>	<u>6 281 383</u>
<b>4 Other financial liabilities</b>			
<b>Held at fair value through profit or loss</b>			
<b>Non-current liabilities</b>			
Redeemable, participating, non-cumulative preference shares	450 000 000	450 000 000	450 000 000
Cumulative fair value adjustment on financial liability	83 956 172	82 564 276	56 527 145
	<u>533 956 172</u>	<u>532 564 276</u>	<u>506 527 145</u>
<b>5 Net asset value</b>			
Net asset value attributable to the ordinary shareholders	59 329 052	59 174 397	56 281 383
Fair value of preference shareholding	533 956 172	532 564 276	506 527 145
<i>Number of shares in issue</i>			
Ordinary shares	5 000 000	5 000 000	5 000 000
Preference shares	45 000 000	45 000 000	45 000 000
	<u>50 000 000</u>	<u>50 000 000</u>	<u>50 000 000</u>
Net asset value per ordinary share (cents)	1 187	1 183	1 126
Net asset value per preference share (cents)	1 187	1 183	1 126

## 6 Deferred Tax

Recognised in other comprehensive income	10 772 422	13 296 442	6 869 334
Reconciliation of deferred tax liability			
At beginning of year	13 296 442	6 966 433	6 966 433
Temporary difference on available-for-sale instruments adjustment	(2 524 020)	6 330 009	(97 099)
	<u>10 772 422</u>	<u>13 296 442</u>	<u>6 869 334</u>

## 7 Adjusted comprehensive income

Adjusted comprehensive income has been calculated as follows:

Total comprehensive income	154 655	3 550 365	657 351
Adjusted for:			
Fair value adjustment on financial liabilities	1 391 896	31 953 289	5 916 158
<b>Adjusted comprehensive income</b>	<u>1 546 551</u>	<u>35 503 654</u>	<u>6 573 509</u>

### Adjusted comprehensive income attributable to:

Ordinary shareholders	154 655	3 550 365	657 351
Preference shareholders	1 391 896	31 953 289	5 916 158
	<u>1 546 551</u>	<u>35 503 654</u>	<u>6 573 509</u>

Adjusted comprehensive income information has been disclosed to allow users to see that ordinary and preference shares each earn the same comprehensive income during any reporting period.

## 8 Earnings and headline earnings per share

Earnings and headline earnings are calculated as follows:

Net profit / (loss) after taxation	5 559 087	(15 454 432)	1 745 332
Earnings	<u>5 559 087</u>	<u>(15 454 432)</u>	<u>1 745 332</u>
Adjusted to headline earnings as follows:			
IAS 16 - Profit on asset disposal	(3 203 754)	(6 217 664)	(2 307 665)
Headline earnings	<u>2 355 333</u>	<u>(21 672 096)</u>	<u>(562 333)</u>
Basic earnings per share (cents)	111	(309)	35
Headline earnings per share (cents)	<u>47</u>	<u>(433)</u>	<u>(11)</u>

No diluted per share information is disclosed as no dilutive, or potentially dilutive, instruments exist in the Group. Thus, any diluted per share information is equal to the above per share information.

## 9 Events after the reporting period

The directors are not aware of any matter or circumstances arising since the end of the reporting period.

## **Basis of accounting preparation**

The accounting policies applied for the six months are consistent, in all material respects, with those used in the Annual Financial Statements of the prior period in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee. In addition, these interim results have been prepared in accordance with the presentation and disclosure requirements of International Accounting Standard 34, Interim Financial Reporting, as well as the listing requirements of the JSE and the Companies Act 71 of 2008.

The Group had early adopted IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and amendments to IAS 27 Consolidated and Separate Financial Statements with a date of initial application 1 April 2012. As a result of the adoption of IFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over and consequently whether it consolidates its investees. As a consequence, the Group has changed its control conclusion in respect of its investment in the RECM Institutional Worldwide Flexible Fund, as the directors have determined that it has de facto control over the investee. The Group had also changed its accounting policy with respect to the preference shares and reclassified these as financial liabilities at fair value through profit and loss. As a result of these changes, the September 2012 comparative figures are not comparable to the 30 September 2012 interim results released in the prior period.

The interim results have been prepared in accordance with the IFRS and IFRIC interpretations at the time of the preparation of the information. As these standards and interpretations are the subject of ongoing review, they may be amended between the date of this report and the finalization of the annual financial statements for the year ending 31 March 2014.

## **Segmental analysis**

The directors considered the implications of IFRS 8 Operating Segments and are of the opinion that the operations of the company are substantially similar and that the risks and returns of these operations are likewise similar. Resource allocation and the management of the operations are performed on an aggregated basis, and as such the company is considered to be a singly aggregated business and therefore there are no additional reporting requirements in terms of IFRS 8.

Signed on behalf of the board

PG Viljoen

JC van Niekerk

Cape Town, 16 October, 2013

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