RE·CM

CALIBRE capital

# RECM and Calibre Limited

# Annual report 2010

# Contents

# Introduction

RECM and Calibre Limited ("RAC" or "the Company") was incorporated in South Africa under the name Velvospec Limited on 24 June 2009. The Company changed its name to RECM and Calibre Limited on 8 September 2009. It has been a shelf company from its incorporation until the end of the financial year.

No significant business activity occurred in RAC during the financial period ended 31 March 2010 other than the application for a listing of RAC preference shares on the main board of the JSE Limited. As such, the annual financial statements only contain business activities pertaining to the listing of the preference shares. All comments following in this annual report should be read taking cognizance of the business activities reported.

Permission was granted for the listing of the preference shares subsequent to the financial year-end and these were successfully listed in June 2010.

# Board of directors

**Pieter Gerhardt Viljoen** (47)

B Com (Hons), CFA
Executive Chairman

With 20 years' industry experience, Pieter has consistently achieved returns that place him in the top tier of fund managers. He started out as a lecturer at the University of Pretoria, and subsequently joined SARB as an economic analyst. He joined Allan Gray Investment Counsel in 1991 as a portfolio manager and later moved onto Investec Asset Management in 1995. Pieter is the founder and executive chairman of Regarding Capital Management (Pty) Limited.

**Theunis de Bruyn** (42)

CA(SA)
Financial Director

After serving articles at Ernst & Young, Theunis joined Ford SA as assistant treasurer. From there he joined Huysamer Stals stockbroking firm (thereafter sold to ABN AMRO) where he later headed up research and was voted the top insurance analyst in South Africa. Theunis is the founder and managing director of Calibre Capital (Pty) Limited.

**Werner Stals** (49)

CA(SA)
Non-Executive Director
Australian

Werner has extensive experience in the banking, fund management and in equity and capital markets. He completed articles in 1985 with Hoek Wiehahn and in 1987 joined Hill Samuel Merchant Bank in London as manager in International Banking. In 1990 he returned to South Africa and acquired an equity stake in Huysamer Stals, a full service stockbroker on the JSE. In 1998 ABN AMRO acquired a minority stake in Huysamer Stals and appointed Stals as CEO of their South African operations. This comprised the full banking operations (treasury, corporate banking and trade finance) and the investment banking operations. Since 2003 he has been involved with RECM Fund Managers, Calibre Private Equity and CKS Equities. Stals moved to Sydney, Australia in early 2006 and joined the Tricom Group as CFO in 2007. He is currently managing his own financial advisory business in Sydney.

**Gerrit Pretorius** (61)

BSc, BEng, LLB
Independent Non-Executive Director

Gerrit joined Fuchs Electronics as a development engineer in 1973 and completed an LLB. Progressing through the ranks, he was appointed managing director of Reutech in 1989. Following the unbundling of the group in 1993 he restructured Reunert's telecommunications interests and established joint ventures with Siemens Limited and GEC plc. A year later he was appointed chief executive of Telephone Manufacturers of South Africa. In April 1997, Gerrit was promoted to Chief Executive Officer of Reunert where he is still holding this position.

# Corporate governance

RAC is and will be committed to the highest standards of corporate governance. However, as mentioned above, RAC has previously been a dormant company and has therefore not been able to comply with the King Code.

The board of directors supports the King III report on Corporate Governance ("King III" or the "King Code"). Good corporate governance is an integral part of RAC's business philosophy. The values espoused in this business philosophy will govern the way in which RAC interacts with all its stakeholders and stresses the importance of good corporate citizenship, integrity, transparency and accountability. Accordingly, RAC aims to comply with the provisions and the spirit of the King Code to the extent that these are practical and appropriate to a company of this nature and size.

**Board of directors**

RAC has a unitary board. RAC is currently chaired by an executive director. It does not have a Chief Executive Officer or a Managing Director.

As of Tuesday, 8 June 2010, the listing date of the preference shares, the board of RAC comprised four directors with an appropriate balance of executive and non-executive directors, and the necessary calibre and credibility, skills and experience.

Education is on-going to ensure that directors are kept informed of industry developments and international best practice.

There is a clear policy in place detailing procedures for appointments to the board and such appointments are formal and a matter for the board as a whole. When appointing directors, the board takes cognisance of its needs in terms of different skills, experience, diversity, size and demographics in order to make it effective.

The directors have a duty and responsibility to ensure that the principles set out in King III are observed. The directors have a fiduciary duty to act in good faith, with due diligence and care and in the best interests of the Company and all stakeholders.

**Audit committee**

The Company has an audit committee comprising Theunis de Bruyn, Gerrit Pretorius, Werner Stals and Lonn Potgieter. The audit committee will consider, on an annual basis as required by the JSE Listings Requirements, and satisfy itself of the appropriateness of the expertise and experience of the financial director and will confirm this in the annual reports. The audit committee sets principles for the use of the external auditors for non-audit services.

The audit committee has nominated, for approval at the annual general meeting, Grant Thornton, as the external auditor and Wilna Scholtz as the designated auditor for the 2011 financial year. The audit committee confirms that the auditor and designated auditor are accredited by the JSE Limited.

**Remuneration committee**

The board does not have a remuneration committee as the Company has no employees on the payroll. All staff functions are performed by the staff members of Regarding Capital Management (Pty) Limited, a shareholder of RAC.

Independent non-executive directors receive fees for their services as directors of the board and for services. These fees were determined by the board and disclosed in the prospectus at the time of listing.

# Corporate governance continued

### Going concern

After making due enquiries, the directors expect that the Company has adequate resources to continue to operate for the foreseeable future. For this reason, the financial statements have been prepared on the going concern basis.

### Company secretary and professional advice

All directors have unlimited access to the services of the Company Secretary, who in turn has access to appropriate resources in the provision of this support. All directors are also entitled to seek independent professional advice with regard to the affairs of the Company.

### Auditor independence

The financial statements have been audited by the independent auditors, Grant Thornton. The Company has no reason to believe that Grant Thornton has not at all times acted with unimpaired independence. During the review period no fees were paid to the external auditors for audit and non-audit services.

### Shareholding

During the period ended 31 March 2010 only 7 000 ordinary shares were in issue. These were equally held by Regarding Capital Management (Pty) Limited and Calibre Capital (Pty) Limited.

### Annual general meeting

The agenda for the annual general meeting is set by the Company Secretary and communicated to all shareholders in the notice of the annual general meeting, which accompanies the annual report. Consequently, the notice of the annual general meeting is distributed well in advance of the meeting and affords all shareholders sufficient time to acquaint themselves with the effects of any proposed resolutions. Adequate time is also provided by the chairman in the annual general meeting for the discussion of any proposed resolutions. The conduct of a poll to decide on any proposed resolutions is controlled by the chairman at the meeting and takes account of the votes of all shareholders, whether present in person or by proxy. A proxy form is included in the annual report for this purpose.

The Company recognises the importance of its shareholders' attendance at its annual general meeting. Explanatory notes setting out the effect of all proposed resolutions accompany the notice of meeting.

The designated auditor of the Company attends the annual general meeting to respond to any questions relevant to the audit of the financial statements.

# Financial statements

# Directors' responsibilities and approval

The directors are required by the Companies Act of South Africa, as amended, to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the Company as at the end of the financial nine months and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements. The financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Company and all employees are required to maintain the highest ethical standards in ensuring the Company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Company is on identifying, assessing, managing and monitoring all known forms of risk across the Company. While operating risk cannot be fully eliminated, the Company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The external auditors are responsible for independently reviewing and reporting on the Company's financial statements. The financial statements have been examined by the Company's external auditors and their report is presented on page 7.

The financial statements set out on pages 8 to 18, which have been prepared on the going concern basis, were approved by the board of directors on 30 July 2010 and were signed on its behalf by:

**T de Bruyn**

**PG Viljoen**

Cape Town
30 July 2010

# Declaration by company secretary

For the nine months ended 31 March 2010 the Company has, to the best of my knowledge, lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Companies Act of South Africa, as amended, and that all such returns are true, correct and up to date.

**L Potgieter**
Company Secretary

Cape Town
30 July 2010

# Report of the independent auditors

**To the shareholders of RECM and Calibre Limited**

We have audited the accompanying financial statements of RECM and Calibre Limited, which comprise the directors' report, the statement of financial position as at 31 March 2010, the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the nine months then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 8 to 18.

**Directors' Responsibility for the Financial Statements**

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa as amended. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are 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 auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 March 2010, and of its financial performance and its cash flows for the nine months then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa, as amended.

Grant Thornton

**Grant Thornton**
Registered Auditors
Chartered Accountants (SA)

*Per:* WM Scholtz
Registered Auditor
Chartered Accountant (SA)

30 July 2010
Pretoria

# Directors' report

The directors submit their report for the nine months ended 31 March 2010.

## 1. REVIEW OF ACTIVITIES

**Main business and operations**

The Company is engaged in investments as principal activities and operates principally in South Africa.

The operating results and state of affairs of the Company are fully set out in the attached financial statements and do not in our opinion require any further comment.

Net loss of the Company was R344 268, after taxation of Rnil.

## 2. GOING CONCERN

We draw attention to the fact that at 31 March 2010, the Company had accumulated losses of R344 268 and that the Company's total liabilities exceeded its assets by R344 198.

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

The ability of the Company to continue as a going concern is dependent on the directors continuing to procure funding for the ongoing operations of the Company. The directors have procured funding by the listing of 45 000 000 redeemable, participating, non-cumulative preference shares of R450 million on 8 June 2010.

## 3. POST BALANCE SHEET EVENTS

After the date of the financial statements the directors resolved to issue the following types of shares:.

- Increase in the issued share capital from 7 000 ordinary shares of R0,01 each to 5 000 000 ordinary shares of R0,01 each with a total share premium of R49 950 000.
- Issue and listing of 45 000 000 redeemable, participating, non-cumulative preference shares of R0,01 each and a share premium of R9,99 each.

On 4 May 2010 the Company raised a capital amount of R50 million with the issuing of the ordinary shares.

On 8 June 2010 the Company successfully listed the redeemable, participating, non-cumulative preference shares on the JSE Limited and an amount of R450 million was raised during the listing process.

## 4. AUTHORISED AND ISSUED SHARE CAPITAL

There were no changes to the issued ordinary shares during the nine months under review.

The authorised share capital was however increased to:

- 5 000 000 ordinary shares of R0,01 each and
- 100 000 000 non-cumulative redeemable participating preference shares of R0,01 each.

## 5. DIVIDENDS

No dividends were declared or paid to shareholders during the nine months.

# Directors' report continued

## 6. DIRECTORS

The directors of the Company during the nine months and to the date of this report are as follows:

| Name | Changes |
|---|---|
| De Bruyn, T | Appointed 24 June 2009 |
| Pretorius, G | Appointed 1 November 2009 |
| Stals, W | Appointed 24 June 2009 |
| Viljoen, PG | Appointed 24 June 2009 |
| Gouws, C | Appointed 24 June 2004; Resigned 24 June 2004 |
| Uys, A | Appointed 24 June 2009; Resigned 24 June 2009 |

## 7. SECRETARY

The secretary of the Company is Mr L Potgieter of Regarding Capital Management (Proprietary) Limited.

**Business address**
7th Floor, Claremont Central
8 Vineyard Road
Claremont
Cape Town
7700

**Postal address**
P O Box 45040
Claremont
7735

## 8. SPECIAL RESOLUTIONS

At a general meeting of the shareholders on 3 September 2009 it was resolved that the Company's name be changed from Velvospec Limited to RECM and Calibre Limited and the main objective of the Company was changed to that of investments as principal activity.

## 9. AUDITORS

Grant Thornton continued in office as auditors of the Company for the 2010 financial period.

At the annual general meeting to be held on 1 September 2010, shareholders will be requested to reappoint Grant Thornton as auditors of RECM and Calibre Limited and to confirm that WM Scholtz will be the designated auditor for the 2011 financial year.

# Statement of financial position

as at 31 March 2010

| | Note(s) | 31 March 2010 R |
|---|---|---|
| **EQUITY AND LIABILITIES** | | |
| **Equity** | | |
| Share capital | 4 | 70 |
| Accumulated loss | | (344 268) |
| | | (344 198) |
| **LIABILITIES** | | |
| **Current liabilities** | | |
| Loans from shareholders | 3 | 338 622 |
| Trade and other payables | 5 | 5 576 |
| | | 344 198 |
| **Total equity and liabilities** | | – |

# Statement of comprehensive income

for the period ended 31 March 2010

| | Note(s) | 9 months ended 31 March 2010 R |
|---|---|---|
| Operating expenses | | (344 268) |
| **Operating loss** | | (344 268) |
| **Loss for the nine months** | | (344 268) |
| Other comprehensive income | | – |
| **Total comprehensive loss** | | (344 198) |

# Statement of changes in equity

for the period ended 31 March 2010

| | Share capital R | Accumulated loss R | Total equity R |
|---|---|---|---|
| **Balance at 24 June 2009** | | | |
| Changes in equity | | | |
| Total comprehensive loss for the nine months | – | (344 268) | (344 268) |
| Issue of shares | 70 | – | 70 |
| Total changes | 70 | (344 268) | (344 198) |
| **Balance at 31 March 2010** | 70 | (344 268) | (344 198) |
| Note(s) 4 | | | |

# Statement of cash flows

for the period ended 31 March 2010

| | Note(s) | 9 months ended 31 March 2010 R |
|---|---|---|
| **Cash flows from operating activities** | | |
| Cash used in operations | 7 | (388 692) |
| **Cash flows from financing activities** | | |
| Proceeds on share issue | 4 | 70 |
| Proceeds from shareholders' loans | | 338 622 |
| **Net cash from financing activities** | | 338 692 |

# Notes to the financial statements

for the period ended 31 March 2010

## ACCOUNTING POLICIES

### 1. PRESENTATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with International Financial Reporting Standards and the Companies Act of South Africa, as amended. The financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below.

These accounting policies are implemented for the first time this period.

#### 1.1 Financial instruments

***Loans to shareholders, directors, managers and employees***

These financial assets 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.

#### 1.2 Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset.

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.

#### 1.3 Share capital and equity

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

### 2. NEW STANDARDS AND INTERPRETATIONS

#### 2.1 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the company's accounting periods beginning on or after 01 April 2010 or later periods but are not relevant to its operations:

***May 2008 Annual Improvements to IFRS's: Amendments to IAS 27 Consolidated and Separate Financial Statements***

The amendment requires that investments in subsidiaries, jointly controlled entities and associates accounted for in accordance with IAS 39 (AC 133) Financial Instruments: Recognition and Measurement in the parent's separate financial statements should continue to be measured in accordance with IAS 39 (AC 133) when classified as held for sale (or included in a disposal group classified as held for sale), and not in accordance with IFRS 5 (AC 142) Non-current Assets Held for Sale and Discontinued Operations.

The effective date of the amendment is for years beginning on or after 01 January 2009.

The Company does not envisage the adoption of the standard until such time as it becomes applicable to the Company's operations.

It is unlikely that the amendment will have a material impact on the Company's financial statements.

***May 2008 Annual Improvements to IFRS's: Amendments to IFRS 7 Financial Instruments: Disclosures; IAS 32 Financial Instruments: Presentation; IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures***

The amendment adjusted the disclosure requirements of investments in associates and interests in joint ventures which have been designated as at fair value through profit or loss or are classified as

# Notes to the financial statements continued

for the period ended 31 March 2010

held for trading. The amendment provides that only certain specific disclosure requirements of IAS 28 (AC 110) Investments in Associates and IAS 31 (AC 119) Interests in Joint Ventures are required together with the disclosures of IFRS 7 (AC 144) Financial Instruments: Disclosures; IAS 32 (AC 125) Financial Instruments: Presentation.

The effective date of the amendment is for years beginning on or after 01 January 2009.

The Company does not envisage the adoption of the standard until such time as it becomes applicable to the Company's operations.

It is unlikely that the amendment will have a material impact on the Company's financial statements.

***May 2008 Annual Improvements to IFRS's: Amendments to IAS 39 Financial Instruments: Recognition and Measurement***

IAS 39 (AC 133) prohibits the classification of financial instruments into or out of the fair value through profit or loss category after initial recognition. The amendments set out a number of changes in circumstances that are not considered to be reclassifications for this purpose.

The amendments have also removed references to the designation of hedging instruments at the segment level.

The amendments further clarify that the revised effective interest rate calculated when fair value hedge accounting ceases, in accordance with paragraph 92 IAS 39 (AC 133) should be used for the remeasurement of the hedged item when paragraph AG8 of IAS 39 (AC 133) is applicable.

The effective date of the amendment is for years beginning on or after 01 January 2009.

The Company does not envisage the adoption of the standard until such time as it becomes applicable to the Company's operations.

It is unlikely that the amendment will have a material impact on the Company's financial statements.

***IFRS 3 (Revised) Business Combinations***

The revisions to IFRS 3 (AC 140) Business combinations require:

- Acquisition costs to be expensed.
- Non-controlling interest to either be calculated at fair value or at their proportionate share of the net identifiable assets of the acquiree.
- Contingent consideration to be included in the cost of the business combination without further adjustment to goodwill, apart from measurement period adjustments.
- All previous interests in the acquiree to be re-measured to fair value at acquisition date when control is achieved in stages, and for the fair value adjustments to be recognised in profit or loss.
- Goodwill to be measured as the difference between the acquisition date fair value of consideration paid,
- Non-controlling interest and fair value of previous shareholding and the fair value of the net identifiable assets of the acquiree.
- The acquirer to reassess, at acquisition date, the classification of the net identifiable assets of the acquiree,
- Except for leases and insurance contracts.
- Contingent liabilities of the acquiree to only be included in the net identifiable assets when there is a present obligation with respect to the contingent liability.

The effective date of the standard is for years beginning on or after 01 July 2009.

The Company does not envisage the adoption of the standard until such time as it becomes applicable to the Company's operations.

It is unlikely that the standard will have a material impact on the Company's financial statements.

# Notes to the financial statements

for the period ended 31 March 2010

***IAS 27 (Amended) Consolidated and Separate Financial Statements***

The revisions require:

- Losses of the subsidiary to be allocated to non-controlling interest, even if they result in the non-controlling interest being a debit balance.
- Changes in level of control without loss of control to be accounted for as equity transactions, without any gain or loss being recognised or any re-measurement of goodwill.
- When there is a change in the level of control without losing control, the group is prohibited from making reclassification adjustments.
- When control is lost, the net identifiable assets of the subsidiary as well as non-controlling interest and goodwill are to be derecognised. Any remaining investment is re-measured to fair value at the date on which control is lost, and a gain or loss on loss of control is recognised in profit or loss.

The effective date of the amendment is for years beginning on or after 01 July 2009.

The Company does not envisage the adoption of the standard until such time as it becomes applicable to the Company's operations.

It is unlikely that the amendment will have a material impact on the Company's financial statements.

***Amendment to IAS 39 and IFRS 7: Reclassification of Financial Assets***

The amendment permits an entity to reclassify certain financial assets out of the fair value through profit or loss category if certain stringent conditions are met. It also permits an entity to transfer from the available for sale category to loans and receivables under certain circumstances. Additional disclosures are required in the event of any of these reclassifications.

The effective date of the amendment is for years beginning on or after 01 July 2008.

The Company does not envisage the adoption of the standard until such time as it becomes applicable to the Company's operations.

It is unlikely that the amendment will have a material impact on the Company's financial statements.

***Amendments to IFRS 7: Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments***

The amendment requires additional disclosures about fair value measurement, including separating fair value measures into a hierarchy. The amendments also require liquidity risk disclosure to be separated between non-derivative financial liabilities and derivative financial liabilities.

The effective date of the amendment is for years beginning on or after 01 January 2009.

The Company expects to adopt the amendment for the first time in the 2011 financial statements.

The Company does not envisage the adoption of the standard until such time as it becomes applicable to the company's operations.

It is unlikely that the amendment will have a material impact on the Company's financial statements.

***2009 Annual Improvements Project: Amendments to IAS 39 Financial Instruments: Recognition and Measurement***

In terms of the amendment, forward contracts to buy or sell an acquiree that will result in a business combination in the future, are only exempt from the Standard if the term of the contract does not exceed that which is reasonably necessary to obtain the required approval and complete the transaction. The amendment further clarifies that in a cash flow hedge of a forecast transaction, gains or losses should be reclassified from equity to profit or loss in the period in which the hedged forecast cash flow affects profit or loss. The amendment also clarifies that a prepayment option is not closely related to the host contract unless the exercise price is approximately equal to the present value of the lost interest for the remaining term of the host contract.

The effective date of the amendment is for years beginning on or after 01 January 2010.

The Company does not envisage the adoption of the standard until such time as it becomes applicable to the Company's operations.

It is unlikely that the amendment will have a material impact on the Company's financial statements.

# Notes to the financial statements continued

for the period ended 31 March 2010

| | 31 March 2010 R |
|---|---|
| **3. LOANS TO (FROM) SHAREHOLDERS** | |
| Calibre Capital (Proprietary) Limited | (169 311) |
| Regarding Capital Management (Proprietary) Limited | (169 311) |
| | (338 662) |
| The loans are unsecured and interest-free with no fixed terms for repayment. | |
| **4. SHARE CAPITAL** | |
| **Authorised** | |
| 5 000 000 Ordinary shares of R0,01 each | 50 000 |
| 100 000 000 Preference shares of R0,01 each | 1 000 000 |
| | 1 050 000 |
| 4 993 000 unissued ordinary shares are under the control of the directors in terms of a resolution of members passed at the last annual general meeting. This authority remains in force until the next annual general meeting. | |
| **Issued** | |
| 7 000 Ordinary shares of R0,01 each | 70 |
| **5. TRADE AND OTHER PAYABLES** | |
| Other payables | 5 576 |
| **6. TAXATION** | |
| No provision has been made for 2010 tax as the Company has no taxable income. | |
| **7. CASH USED IN OPERATIONS** | |
| Loss before taxation | (344 268) |
| **Changes in working capital:** | 5 576 |
| Trade and other payables | (338 692) |

## 8. RELATED PARTIES

**Relationships**

***Shareholders with significant influence***
Calibre Capital (Proprietary) Limited
Regarding Capital Management (Proprietary) Limited

***Shareholders with joint control***
Calibre Capital (Proprietary) Limited
Regarding Capital Management (Proprietary) Limited

***Members of key management***
De Bruyn, T
Potgieter, L
Viljoen, PG

# Notes to the financial statements

for the period ended 31 March 2010

| | 31 March 2010 R |
|---|---|
| **8. RELATED PARTIES** continued | |
| **Related party balances** | |
| ***Loan accounts – Owing (to) by related parties*** | |
| Calibre Capital (Proprietary) Limited | **(169 311)** |
| Regarding Capital Management (Proprietary) Limited | **(169 311)** |

## 9. DIRECTORS' EMOLUMENTS

No emoluments were paid to the directors during the nine months.

## 10. COMPARATIVE FIGURES

No comparative figures have been presented as these are the first financial statements of the Company.

## 11. GOING CONCERN

We draw attention to the fact that at 31 March 2010, the Company had accumulated losses of R344 268 and that the Company's total liabilities exceed its assets by R344 198.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern.

This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the Company to continue as a going concern is dependent on a number of factors. The most significant of these is that the directors continue to procure funding for the ongoing operations of the Company.

On 4 May 2010 the Company raised a capital amount of R50 million with the issuing of the ordinary shares.

On 8 June 2010 the Company successfully listed the redeemable, participating, non-cumulative preference shares on the JSE Limited and an amount of R450 million was raised during the listing process.

# Notice of the annual general meeting

## RECM AND CALIBRE LIMITED

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

**NOTICE IS HEREBY GIVEN** that the annual general meeting of shareholders of RECM and Calibre Limited will be held at Calibre Capital (Pty) Limited, 4B Atterbury Estates, 19 Frikkie de Beer Street, Menlyn, Pretoria on Wednesday, 1 September 2010 at 12:00 for the following purposes:-

1. To consider and approve the annual financial statements of the Company for the period ended 31 March 2010.
2. To approve the actions taken by the directors on behalf of the Company for the period under review.
3. To note that no directors' fees were payable.
4. To note the reappointment of retiring auditors Grant Thornton in terms of section 270 of the Companies Act and of Wilna Scholtz as the designated audit partner.
5. To re-appoint the existing directors as directors of the Company for a further term until the following annual general meeting. Their CVs are disclosed on page 2 of the annual report.
6. To place the unissued shares under the control of the directors to apply these as they deem fit in terms of the Companies Act.
7. To consider and vote on the attached resolution proposed by the directors.
8. To transact such other business as may be transacted at an annual general meeting.

A shareholder who is entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy so appointed need not be a shareholder of the Company. Proxy forms should be posted so as to reach the registered office of the Company not less than 48 hours prior to the holding of the annual general meeting.

If shareholders have dematerialised their shares with a Central Securities Depository Participant ("CSDP") or broker, other than with "own name" registration, they must arrange with the CSDP or broker to provide them with the necessary letter of representation to attend the annual general meeting or the shareholder must instruct them as to how they wish to vote in this regard. This must be done in terms of the agreement entered into between the shareholder and the CSDP or broker, in the manner and cut-off time stipulated therein.

By Order of the Board

**L Potgieter**
Company Secretary

Cape Town
Friday, 30 July 2010

**Registered office:**
7th Floor Claremont Central, 8 Vineyard Road, Claremont, 7700
(PO Box 45040, Claremont, 7735)

**Transfer secretaries:**
Link Market Services South Africa (Pty) Limited, 16th Floor, 11 Diagonal Street, Johannesburg, 2001
(PO Box 4844, Johannesburg, 2000)

# Notice of the annual general meeting continued

## ORDINARY RESOLUTION OR2010/01 PROPOSED BY THE DIRECTORS OF RECM AND CALIBRE LIMITED

The directors of RECM and Calibre Limited ("RAC") propose that the shareholders consider the following ordinary resolution at the annual general meeting on 1 September 2010 and vote to accept the resolution at the meeting.

**BACKGROUND**:

Clause 2.3 of the prospectus dated 14 May 2010 dealt with the Investment Mandate given to Regarding Capital Management (Pty) Limited ("RCM") and not to the Company as an entity. Clause 2.3.3 detailed specific reporting requirements as follows:

*Disclosure of portfolio*

*"The portfolio of RAC will be disclosed to shareholders on a quarterly basis until such time as at least 50% of the portfolio has been established in investments other than cash or short dated securities. Thereafter disclosure will be on a six-monthly basis.*

*Net asset value will be calculated and updated daily on the RCM website."*

**Proposed Resolution:**

"That the disclosure of the portfolio and the net asset value be disclosed as follows:

***Disclosure of portfolio***

The asset class mix and net asset value of the investment portfolio of RAC will be disclosed to shareholders on a quarterly basis until such time as at least 50% of the portfolio has been established in investments other than cash or short dated securities. Thereafter disclosure will be on a six-monthly basis.

Net asset value of the investment portfolio will be calculated in accordance with the following principles:

- Unlisted investments – to be reflected at cost. The cost of the unlisted investments will be adjusted every six months to reflect any International Financial Reporting Standards ("IFRS") adjustments processed for the abridged or final financial statements as the case may be. Where, in the opinion of the directors, a material event has occurred subsequent to the previous IFRS adjustments, the carrying value will be restated at directors' valuation;
- Listed investments – to be valued using current ruling market prices according to the general practise of the investment management industry in South Africa;

and updated every six months on the RAC website and SENS.

Where the net asset value of the investment portfolio changes by more than 20% since the previous valuation, the directors will publish such information on the RAC website and SENS within 72 hours of such valuation having been performed.

Notwithstanding the aforesaid, the directors will publish abridged financial statements at the mid-point and audited annual financial statements at the conclusion of every financial year as required by the JSE Listings Requirements and other legislation. This publication will be in addition to the publication of the investment portfolio net asset value as detailed above."

# Form of proxy (preference shareholders)

**RECM and Calibre Limited**
(Formerly Velvospec Limited)
(Incorporated in the Republic of South Africa)
(Registration number 2009/012403/06)
Preference share code: RACP
ISIN: ZAE000145041
("RAC" or "the Company")

For use at the annual general meeting of shareholders of RAC to be held at 12:00 on 1 September 2010.

Proxy forms may only be completed by preference shareholders who are certificated holders or holders of dematerialised shares in their own name. If shareholders have dematerialised their shares with a Central Securities Depository Participant ("CSDP") or broker, other than with "own name" registration, they must arrange with the CSDP or broker to provide them with the necessary letter of representation to attend the annual general meeting or the shareholder must instruct them as to how they wish to vote in this regard. This must be done in terms of the agreement entered into between the shareholder and the CSDP or broker, in the manner and cut-off time stipulated therein.

I ______________________________________________

being a Shareholder of RECM and Calibre Limited holding ____________ preference shares, hereby appoint

______________________________________________ of

______________________________________________

as my proxy to vote for me and on my behalf at the annual general meeting of the Company to be held on 1 September 2010 at 12:00 and at any adjournment thereof as follows:-

| | In favour of | Against | Abstain |
|---|---|---|---|
| 1. To approve the ordinary resolution OR2010/01 proposed by the directors. | | | |

(Indicate instruction to proxy by way of a cross in space provided above)

Unless otherwise instructed, my proxy may vote as he/she thinks fits.

Signed this ____________ day of ____________ 2010

Signature ______________________________________________

*Please read the notes on the reverse side hereof.*

# Notes to the proxy form

1. A member entitled to attend and vote is entitled to appoint a proxy to attend, speak and on a poll vote in his stead, and such proxy need not also be a shareholder of the Company.

2. A shareholder's instruction to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the space provided. Failure to comply with the above will be deemed to authorise the proxy to vote or abstain from voting at the annual general meeting as he deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or his proxy is not obliged to use all the votes exercisable by the shareholder or his proxy, or cast them in the same way.

3. Any alteration or correction made to this form must be initialled by the signatory/ies.

4. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form unless previously recorded by the Company Secretary or waived by the chairman of the annual general meeting.

5. The completion and lodging of this form will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms thereof, should such shareholder wish to do so.

6. The chairman of the annual general meeting may reject or accept any form of proxy which is completed and/or received other than in accordance with these instructions, provided that he is satisfied as to the manner in which a shareholder wishes to vote.

7. A minor must be assisted by his/her parent/guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Company.

8. Where there are joint holders of any shares:

    a. any one holder may sign this form of proxy;

    b. the vote(s) of the senior shareholders (for that purpose seniority will be determined by the order in which the names of shareholders appear in the company's register of shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).

9. Forms of proxy must be lodged with the Company Secretary to be received by 12:00 on Friday, 27 August 2010.

# Annual general meeting reply form

**RECM and Calibre Limited**
(Formerly Velvospec Limited)
(Incorporated in the Republic of South Africa)
(Registration number 2009/012403/06)
Preference share code: RACP
ISIN: ZAE000145041
("RAC" or "the Company")

## ANNUAL GENERAL MEETING TO BE HELD IN THE BOARDROOM AT CALIBRE CAPITAL, 4B ATTERBURY ESTATES, 19 FRIKKIE DE BEER STREET, MENLYN, PRETORIA ON WEDNESDAY, 1 SEPTEMBER 2010 AT 12:00

In order to assist with catering and logistics, shareholders intending to be present at the meeting are requested to notify the secretary by completing the attached form. Your assistance is greatly appreciated. The notice may be returned by either of the following means:

1. **Email:** lonn.potgieter@recm.co.za
2. **Fax:** (021) 674 1021 (Attention: L Potgieter)
3. **Mail:** PO Box 45040, Claremont, 7735 (Attention: L Potgieter)

**Lonn Potgieter**
Secretary

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## NOTICE OF INTENTION TO BE PRESENT AT THE MEETING

I, ______________________________ being a preference shareholder of RECM and Calibre Limited intend being present at the meeting to be held in the Boardroom at Calibre Capital, 4B Atterbury Estates, 19 Frikkie de Beer Street, Menlyn, Pretoria on Wednesday, 1 September 2010 at 12:00.

**Signed:** ______________________________

**Date:** ______________________________

# Corporate information

## RECM AND CALIBRE LIMITED
(Formerly Velvospec Limited)
(“RAC” or “the Company”)

**COUNTRY OF INCORPORATION AND DOMICILE**
South Africa

**COMPANY REGISTRATION NUMBER**
2009/012403/06

**PREFERENCE SHARE CODE**
RACP

**ISIN**
ZAE000145041

**DIRECTORS**
T de Bruyn
G Pretorius
W Stals
PG Viljoen

**COMPANY SECRETARY**
L Potgieter

**REGISTERED OFFICE AND BUSINESS ADDRESS**
7th Floor, Claremont Central
8 Vineyard Road
Claremont
Cape Town

**POSTAL ADDRESS**
PO Box 45040
Claremont
7735

**TELEPHONE NUMBER**
(021) 657 3440

**E-MAIL ADDRESS**
info@recm.co.za

**WEBSITE**
www.recm.co.za

**AUDITORS**
Grant Thornton
Chartered Accountants (SA)
Registered Auditors
Member of Grant Thornton International
121 Boshoff Street
New Muckleneuk
Pretoria, 0181
(PO Box 1470, Pretoria, 0001)

**SPONSOR**
Deloitte & Touche Sponsor Services (Pty) Limited
Building 6, The Woodlands
Woodlands Drive
Woodmead
Sandton, 2196
(Private Bag X6, Gallo Manor, 2052)

**TRANSFER SECRETARIES**
Link Market Services South Africa (Pty) Limited
16th Floor
11 Diagonal Street
Johannesburg, 2001
(PO Box 4844, Johannesburg, 2000)

**BANKERS**
The Standard Bank of South Africa Limited
Park Vista Building
Cnr Hendrik Verwoerd & Embankment Street
Centurion
(PO Box 9633, Centurion, 0046)

**ATTORNEYS**
Edward Nathan Sonnenbergs Inc.
150 West Street
Sandton, 2196
(PO Box 783347, Sandton, 2146)

**FINANCIAL SERVICE PROVIDER**
Regarding Capital Management (Pty) Limited
7th Floor, Claremont Central
8 Vineyard Road
Claremont
Cape Town, 7700
(PO Box 45040, Claremont, 7735)