

The definitions and interpretations commencing on page 2 of the prospectus apply to this cover page.

RE·CM

Recm & 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")



Prospectus

relating to:

- a private placement with selected placees of up to a maximum of 40 000 000 preference shares of 1 cent each in the share capital of RAC, at an issue price of R10 per share in the share capital of RAC;
- a public offer for subscription of 5 000 000 preference shares of 1 cent each in the share capital of RAC, plus any preference shares that are not taken up pursuant to the private placement, at an issue price of R10 per share in the share capital of RAC ("the offers"); and
- the subsequent listing of RAC's entire issued preference share capital on the JSE.

This prospectus is issued in compliance with the Listings Requirements for the purpose of providing information with regard to the Company, the private placement and public offer, and the subsequent listing of a total of 45 000 000 redeemable, participating, non-cumulative preference shares with a par value of 1 cent each in the share capital of the Company.

Preference shares, as debt securities, will be regulated by the JSE in terms of Section 20 of the Listings Requirements. However, the Listings Requirements do not have specific application to RAC directors in terms of Section 20 of the Listings Requirements. Only preference shares are to be listed. Therefore ordinary shares will remain unlisted.

RAC has, in terms of the portfolio management agreement, appointed the financial services provider, RCM, to administer and manage the portfolio. RCM is one of the leading independent fund management houses in South Africa and has a superior track record in both domestic and global funds management. History of RCM appears on paragraph 2.1.1 of this prospectus.

Preference shares will only be traded on the JSE trading system in electronic form and as such all preference shareholders who elect to receive certificated preference shares will have to dematerialise their certificated preference shares should they wish to so trade therein.

2010

Offers open at 09:00	Friday, 14 May
Offers close at 12:00	Thursday, 3 June
Accounts at CSDP or broker credited with the preference shares and debited with the monies in respect of dematerialised preference shareholders	Tuesday, 8 June
Posting of certificates to certificated shareholders	Tuesday, 8 June
Listing of the preference shares commences at 09:00 on	Tuesday, 8 June

Applications must be for a minimum of 100 preference shares, the minimum issue amount being R1 000, and for multiples of 100 preference shares thereafter. Following the acceptance of the offers and listing thereafter, the authorised preference share capital of RAC will comprise 100 000 000 preference shares with a par value of 1 cent each and the issued preference share capital will comprise 45 000 000 preference shares with a par value of 1 cent each.

Simultaneously with the issue and listing of the preference shares, 4 993 000 ordinary shares with a par value of 1 cent each will be issued to the ordinary shareholders, resulting in there being 5 000 000 authorised ordinary shares and 5 000 000 issued ordinary shares. **The ordinary shares will not be listed.**

The preference shares will rank *pari passu* with one another. The voting rights, dividend entitlement and other rights and privileges of the preference shares will be as set out in Annexure 6.

Subject to the spread of public shareholders as required in terms of the Listings Requirements being achieved pursuant to the offers, the JSE has granted the Company a listing of 45 000 000 preference shares, in the "Debt – Preference Shares" sector of the JSE lists with the abbreviated name "RAC Prefs", JSE preference share code RACP and ISIN ZAE000145041.

The minimum amount that, in the opinion of the directors, must be raised through the private placement and public offer, is R200 000 000.

Corporate Advisor and Sponsor

Deloitte.

Deloitte & Touche Sponsor Services (Pty) Ltd
(Incorporated in the Republic of South Africa)
(Registration number 1996/000034/07)

Independent Reporting
Accountants and Auditors



Grant Thornton

Attorneys



Edward Nathan Sonnenbergs Inc.

Financial Service Provider or
Manager



Regarding Capital Management (Pty) Limited
(Incorporated in the Republic of South Africa)
(Registration number 2004/007733/07)

Date of issue: Friday, 14 May 2010

The directors, whose names are provided in paragraph 4 of the prospectus, collectively and individually, accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the prospectus contains all information required by law and the Listings Requirements.

The sponsor, attorneys, independent reporting accountants and transfer secretaries, whose names are included in the prospectus, have consented in writing to act in the capacities stated and to their names being included in the prospectus and have not withdrawn their consents prior to the publication of the prospectus. The independent reporting accountants have consented to the inclusion of their reports in the form and context in which these appear and have not withdrawn such consent prior to the publication of the prospectus.

An English copy of this prospectus, accompanied by the documents referred to under "Documents available for inspection" as set out in paragraph 20 of this prospectus, was registered by the Registrar of Companies on Tuesday, 11 May 2010 in terms of section 155(1) of the Companies Act.

The prospectus is available in English and further copies may be obtained during normal business hours from Friday, 14 May 2010 to Thursday, 3 June 2010 from RAC's registered offices, or from the offices of Deloitte & Touche and the transfer secretaries, details of which are set out in the "Corporate Information" section of the prospectus. The prospectus can also be obtained from **RCM's website at www.recm.co.za**.

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CORPORATE INFORMATION

Secretary and registered office of RAC

Lonn Potgieter (CA (SA))
7th Floor, Claremont Central
8 Vineyard Road
Claremont, Cape Town, 7700
(PO Box 45040, Claremont, 7735)

Corporate advisor and sponsor

Deloitte & Touche Sponsor Services (Pty) Limited
(Registration number 1996/000034/07)
Building 6, The Woodlands
20 Woodlands Drive
Woodmead
Sandton, 2196
(Private Bag X6, Gallo Manor, 2052)

Attorneys

Edward Nathan Sonnenbergs Inc.
(Registration number 2006/018200/21)
150 West Street
Sandton, 2196
(PO Box 783347, Sandton, 2146)

Date and Place of incorporation

24 June 2009
Pretoria, South Africa

Financial service provider

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

Independent reporting accountants and auditors

Grant Thornton
(Practice number 903426E)
121 Boshoff Street
New Muckleneuk, Pretoria, 0181
(PO Box 1470, Pretoria, 0001)

Transfer secretaries

Link Market Services South Africa (Pty) Limited
(Registration number 2000/007239/07)
16th Floor
11 Diagonal Street
Johannesburg, 2001
(PO Box 4844, Johannesburg, 2000)

Bankers

The Standard Bank of South Africa Limited
(Registration number 1962/000738/06)
Park Vista Building
Cnr. Hendrik Verwoerd & Embankment Street
Centurion
(PO Box 9633, Centurion, 0046)

DEFINITIONS AND INTERPRETATIONS

In the prospectus, unless otherwise stated or the context otherwise indicates, the words in the first column shall have the meanings stated opposite them in the second column and words in the singular shall include the plural and *vice versa*. Words importing natural persons shall include corporations and associations of persons and *visa versa* and an expression denoting any gender shall include the other genders:

“applicant”	any member of the public, including any institutional or retail investor and a natural person, which applies to RAC to subscribe for preference shares in respect of the public offer or any person who applies to RAC to subscribe for preference shares in respect of the private placement, as the case may be;
“business day”	any day other than a Saturday, Sunday or official public holiday in South Africa;
“CAL”	Calibre Capital (Pty) Limited (Registration number 2004/001095/06), a company incorporated in South Africa and major ordinary shareholder of the Company;
“commencement date”	the date of commencement of the portfolio management agreement, being the later of 1 March 2010 and the date on which the first contribution is made by the Company to the Financial Service Provider;
“common monetary area”	South Africa, the Republic of Namibia and the Kingdoms of Swaziland and Lesotho;
“Companies Act”	the Companies Act, 1973 (Act 61 of 1973), as amended;
“contributions”	such cash or other financial products as may be paid or transferred, as the case may be, to the Financial Service Provider by the Company from time to time for investment in the portfolio on behalf of the Company;
“CSDP”	a Central Securities Depository Participant registered in terms of the Securities Services Act, 2004 (Act 36 of 2004), as amended;
“Deloitte & Touche Sponsor Services” or “Sponsor”	Deloitte & Touche Sponsor Services (Proprietary) Limited (Registration number 1996/000034/07), a company incorporated in South Africa;
“dematerialise”	the process by which paper share certificates or other documents of title are replaced with electronic records of ownership under Strate with a duly appointed CSDP or broker, as the case may be;
“dematerialised preference shares”	preference shares which have been dematerialised;
“directors” or “the board”	the directors of RAC;
“ENS” or “Attorneys”	Edward Nathan Sonnenbergs Inc. (Registration number 2006/018200/21), a company incorporated in South Africa;
“EPS”	earnings per share;
“financial products”	financial products as defined in the Financial Advisory and Intermediary Services Act, 2002 (Act 37 of 2002), as amended;
“Grant Thornton” or “independent reporting accountants”	Grant Thornton (Practice number 903426E), a company incorporated in South Africa, being registered auditors;
“HEPS”	headline earnings per share;

“IFRS”	International Financial Reporting Standards, which comprise standards and interpretations approved by the International Accounting Standards Board, International Financial Reporting Interpretations Committee and International Accounting Standards, and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee;
“Income Tax Act”	the Income Tax Act, 1962 (Act 58 of 1962), as amended;
“initial portfolio”	the financial products invested with the Financial Service Provider at the commencement date;
“investment mandate”	the investment mandate setting out, <i>inter alia</i> , the investment strategy and guidelines, subject whereto the Financial Service Provider is required to manage the portfolio, details of which are set out in Annexure 5;
“issue price”	the issue price of each preference share of R10 each, comprising of a par value of 1 cent and a premium of R9,99 per preference share;
“JSE”	JSE Limited (Registration number 2005/022939/06), a company duly registered and incorporated with limited liability under the company laws of South Africa and licensed as an exchange under the Securities Services Act, 2004 (Act 36 of 2004), as amended;
“last practicable date”	the last practicable date prior to the finalisation of the prospectus, being Monday, 3 May 2010;
“Link Market Services” or “the transfer secretaries”	Link Market Services South Africa (Pty) Limited (Registration number 2000/007239/07), a company incorporated in South Africa;
“listing”	the proposed listing of a total of 45 000 000 preference shares on the JSE in the Debt – “Preference Share” sector under the abbreviated name “RAC Prefs”, with effect from the commencement of business on Tuesday, 8 June 2010;
“Listings Requirements”	the JSE Listings Requirements, as amended from time to time;
“management fee”	the amount to be paid to the Financial Service Provider in terms of the portfolio management agreement as remuneration for its services, as set out in paragraph 3;
“NAV”	net asset value per share;
“NTAV”	net tangible asset value per share;
“offers”	collectively, the private placement and the public offer, or either one of them, as the context may require;
“ordinary shares”	the unlisted ordinary shares with a par value of 1 cent each in the capital of RAC;
“ordinary shareholder”	a registered holder of ordinary shares;
“placees”	those entities and other persons selected to participate in the private placement;
“portfolio”	the initial portfolio and the result of any changes to the initial portfolio effected by the Financial Service Provider from time to time, as well as additional contributions which the Company may entrust to the Financial Service Provider from time to time, less any withdrawals made by the Company from the portfolio from time to time;
“portfolio management agreement”	the management agreement entered into between RAC and the Financial Service Provider on 2 March 2010, in terms of which RAC has appointed the Financial Service Provider to manage and administer the portfolio;

“prospectus”	this prospectus and its annexures, registered on or about 11 May 2010, which have been prepared in compliance with the Companies Act and the Listings Requirements;
“private placement”	the placing with placees of up to a maximum of 40 000 000 preference shares;
“preference shares”	means non-cumulative, redeemable, participating preference shares in the share capital of the Company with a par value of 1 cent each, having the rights and privileges set out in Annexure 6;
“preference shareholder”	a holder of preference shares;
“public offer”	the offer by RAC for subscription by members of the public of 5 000 000 preference shares, plus any preference shares not taken up pursuant to the private placement, at the issue price, in terms of this prospectus;
“RCM” or “Financial Service Provider” or “Manager”	Regarding Capital Management (Pty) Limited (Registration number 2004/007733/07 and FSP License No. 18834), a company incorporated in South Africa, and an ordinary shareholder of RAC;
“RAC” or “the Company”	Recm & Calibre Limited (Registration number 2009/012403/06), a company incorporated in South Africa;
“Registrar”	the Registrar of Companies and Close Corporations in South Africa;
“SARB”	the South African Reserve Bank;
“SENS”	the Securities Exchange News Service of the JSE;
“South Africa” or SA”	the Republic of South Africa; and
“Strate”	Strate Limited (Registration number 1998/022242/06), a company incorporated in South Africa and a registered central securities depository responsible for the electronic clearing and settlement of trades on the JSE.

EXECUTIVE SUMMARY

This summary contains the salient features of the offers and the listing of RAC preference shares on the JSE, as set out in the prospectus. For a full appreciation of the prospectus, it should be read in its entirety. The definitions provided on pages 2 to 4 of the prospectus apply *mutatis mutandis* to this summary.

1. INTRODUCTION AND PURPOSE

The ordinary shareholders are RCM and CAL. RCM and CAL have conceptualised the establishment of a long term investment fund, in the form of a closed-end vehicle, which can access permanent capital, not subject to in or outflows over the short term, whilst investors will still be afforded liquidity. RCM and CAL believe that such a structure will enhance the ability of the fund to generate superior returns over the long term.

RAC has been set up as such an investment vehicle and investors are offered the opportunity to subscribe for preference shares therein, in order that they may participate in the long term growth prospects of the underlying investment fund.

The purpose of the prospectus is to:

- provide investors and the market with information relating to RAC, its business, and directors and management, as well as the mandate of RCM as manager of the portfolio;
- facilitate the issue by RAC of a total of 45 000 000 preference shares by way of a private placement and a public offer and to bring about the listing of such preference shares; and
- set out the salient features of the preference shares, the private placement and the public offer.

2. DETAILS OF THE OFFERS AND LISTING

2.1 Particulars of the private placement and public offer

The private placement is to be made with selected placees. Simultaneously, preference shares not taken up by the placees will be offered to the public in terms of the public offer.

Issue price per preference share	R10
Number of preference shares offered in terms of private placement	40 000 000
Number of preference shares offered in terms of the public offer	5 000 000
Total amount to be raised in terms of the offers	R450 000 000
Minimum amount to be raised in terms of the offers	R200 000 000

Notes:

- The issue price comprises a par value of 1 cent and a premium of R9,99 per preference share.
- The placees will be invited to subscribe for up to a maximum of 40 000 000 preference shares in terms of the private placement, thereby raising R400 000 000. Should any part of the 40 000 000 preference shares not be taken up as aforesaid, the shares will be made available in terms of the public offer. The preference shares to be issued in terms of the private placement will be issued at the same issue price as the preference shares issued in terms of the public offer.

2.2 Details of the listing

The JSE has granted RAC a listing of 45 000 000 preference shares, in the “Debt – Preference Shares” sector of the JSE lists with the abbreviated name “RAC Prefs”, JSE preference share code RACP and ISIN ZAE000145041. It is anticipated that the listing will be effective from the commencement of business on Tuesday, 8 June 2010.

2.3 Requisite approvals

All requisite regulatory approvals regarding the offer, issue and listing of the preference shares, including SARB approval, have been obtained.

2.4 Minimum subscription

The offers are not underwritten and are accordingly subject to a total minimum subscription amount of R200 000 000 being raised thereby, so as to provide the Company with capital, to acquire the range of investments that will result in optimised returns. Should such amount not be raised, the offers will be deemed to have been withdrawn and no applicant will have any claims against the Company resulting from such withdrawal.

3. SALIENT TIMES AND DATES

	2010
Prospectus posted and made available on RCM website	Friday, 14 May
Offers open at 09:00 and abridged prospectus announcement published on SENS	Friday, 14 May
Publication of abridged prospectus in the press	Monday, 17 May
Offers close at 12:00	Thursday, 3 June
Accounts at CSDP or broker credited with the preference shares and debited with the monies in respect of dematerialised preference shareholders	Tuesday, 8 June
Posting of certificates to certificated shareholders	Tuesday, 8 June
Listing of the preference shares commences at 09:00 on	Tuesday, 8 June

Note: The abovementioned times and dates are South African times and dates and are subject to amendment. Any such amendment will be released on SENS and published in the press.

4. ACTION REQUIRED

Application for preference shares must be made in accordance with paragraph 7 of this prospectus.

Placees must make application for certificated or dematerialised preference shares in terms of the private placement on the green application form accompanying this prospectus.

Applications for certificated or dematerialised preference shares in terms of the public offer should be made on the yellow application form accompanying this prospectus.

If you are in any doubt as to what action to take, you should consult your broker, attorney or other professional advisor immediately.

Subscriptions for preference shares in terms of the offers may only be made in multiples of 100 preference shares.

Listed shares can only trade on the JSE in electronic form. Accordingly, shareholders who elect to receive their preference shares in certificated form will be required to dematerialise their shares should they wish to trade them on the JSE. This procedure could take between 24 hours and 10 days, depending on volumes being processed at the time.

English copies of this prospectus are available from:

- RAC, at its registered office as set out in the "Corporate information" section;
- the transfer secretaries;
- Deloitte & Touche Sponsor Services; or
- RCM's website at www.recm.co.za.

RE·CM

Recm & 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")



PROSPECTUS

1. INTRODUCTION AND PURPOSE

The ordinary shareholders are RCM and CAL. RCM and CAL have conceptualised the establishment of a long term investment fund, in the form of a closed-end vehicle, which can access permanent capital, not subject to in or outflows over the short term, whilst investors will still be afforded liquidity. RCM and CAL believe that such a structure will enhance the ability of the fund to generate superior returns over the long term.

RAC has been set up as such an investment vehicle and investors are offered the opportunity to subscribe for preference shares therein, in order that they may participate in the long term growth prospects of the underlying investment fund.

The purpose of the prospectus is to:

- provide investors and the market with information relating to RAC, its business, and directors and management, as well as the mandate of RCM as manager of the portfolio;
- facilitate the issue by RAC of a total of 45 000 000 preference shares by way of a private placement and a public offer and to bring about the listing of such preference shares; and
- set out the rights and privileges of the preference shares.

2. BACKGROUND ON RAC AND SALIENT FEATURES OF THE PREFERENCE SHARES

2.1 Incorporation and history

RAC was incorporated in South Africa under the name Velvospec Limited on 24 June 2009. The Company changed its name to Recm & Calibre Limited on 8 September 2009. It has been a shelf company from its incorporation until the last practicable date.

The history of the ordinary shareholders of the Company is as follows:

2.1.1 RCM

RCM was founded in early 2003 by Piet Viljoen, Werner Stals and Theunis de Bruyn, who remain the controlling shareholders thereof. The driving force behind the start up was an identified need for a fund management house that was truly independent and would be able to manage clients' funds on a sensible basis. Over the past seven years, RCM has firmly entrenched itself as one of the leading independent fund management houses in South Africa, as a result of a superior track record in both domestic and global funds management. Assets under management have grown to over R10 billion in this period, consisting of a healthy mix of retail and institutional clients. Staff employed by RCM has also grown from three at inception to 25 at present. RCM appeals to the more sophisticated investor, who understands that superior investment returns are likely to be generated by acquiring interests in good quality businesses at attractive prices, and then holding on to these interests for the long term.

RCM's investment activity is grounded in the value philosophy, with an emphasis on consistently applying a sensible investment process. The investment process is a bottom up process, based on proprietary research. In addition, the investment process is risk-conscious, where risk is defined as losing money, rather than volatility around a benchmark. The focus is on protecting capital, and growing it where possible and sensible. Ultimately, such an investment process relies on avoiding, as far as possible, deep draw downs of capital. It does this by only accepting investment risk where the investor is clearly being paid handsomely to do so – in other words, by only buying assets when the price is significantly below a reasonable estimation of fair value. Sources of return are thus two-fold: the movement from cheap to fair value, as well as the intrinsic growth that most good quality businesses exhibit over time. RCM believes that these are the only two sources of return that investors can access on a consistent basis.

RCM's competitive advantage lies in four areas:

- **Size.** Small scale confers a significant competitive advantage to a fund manager, as the universe of possible investments is as wide as possible. RCM is determined to remain a small fund manager as it feels this is very strongly in its clients' best interests.
- **Costs.** At RCM the costs of managing funds is kept as low as possible. Fees are reasonable and at the low end of the scale. RCM is incentivised to keep fees low, as a significant proportion of its assets under management are those of management and staff of RCM itself – at the same fee level as are applicable to its outside clients. Trading costs are minimised by being long term holders of securities.
- **Independence.** RCM does not have a controlling shareholder with a different agenda to that of its clients. Indeed, its controlling shareholders are significant clients of RCM.
- **Process.** The firm structure is such that it fully supports the consistent application of a sound investment philosophy and process.

All four of these significant competitive advantages are not easily replicated by RCM's competitors and assist in the generation of superior returns.

2.1.2 CAL

The same shareholders who founded RCM, founded CAL, a private equity business, in late 2002. Since its inception CAL has invested in five private businesses. Over this time CAL avoided the debt funded business model of most private equity businesses, which became unstuck during the financial crisis. As a result of its very conservative pricing and financing of deals, CAL has emerged from the crisis in a very strong position. Its underlying businesses do not need to be refinanced, and are in fact in a strong cash position. Investors in CAL's fund have enjoyed very strong returns since inception. It is envisaged that CAL will be appointed by RCM to manage unlisted equity in accordance with their philosophy and process.

2.2 Nature of business

The Company will be engaged in investments as principal and will operate principally in South Africa.

2.3 Investment mandate

2.3.1 Brief description

RAC does not hold any investments as at the last practicable date.

After listing, RAC will invest in financial products, with the objective of optimising returns, whilst minimising risks such as volatility of returns, risk of capital loss and the risk of negative real returns, through appropriate asset allocation and asset selection. For this purpose, it has mandated the Financial Service Provider as the manager of the portfolio, who is required to invest in financial products in line with its "best investment view", subject to the investment strategy and guidelines laid down in the investment mandate (as reviewed by the Company from time to time).

2.3.2 Investment guidelines

The portfolio must be managed with the objective of meeting the performance targets and risk constraints outlined in the investment mandate.

Financial products are required to be invested in a manner which complies with the applicable laws and regulations, including:

- the Financial Advisory and Intermediary Services Act, 2002 (Act 37 of 2002), as amended
- the Securities Services Act, 2004 (Act 36 of 2004), as amended; and
- the Financial Institutions (Protection of Funds) Act, 2001 (Act 28 of 2001), as amended

Investments may be made in any combination of domestic or global, listed or unlisted financial products.

Details of the investment mandate are set out in Annexure 5. An increase in the debt to equity gearing ratio or an amendment to the method for the calculation of the fee payable to the Financial Service Provider, in a manner which is favourable to such manager, or any authority for the manager to be permitted to act outside of the investment mandate, will require 75% majority approval by the preference shareholders.

2.3.3 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.

2.4 Prospects

Permanent capital will provide RAC with the opportunity of applying the following value-adding investment strategies:

- taking large positions in high quality businesses, and holding onto them for the long term.
- accessing investments which are not subject to price competition due to, amongst others, regulatory restrictions. For instance, most unit trusts (open-end funds) are not allowed to make significant investments in unlisted companies, they generally do not invest in smaller companies due to liquidity issues and they cannot commit to long term financing arrangements due to their open-end nature. The fact that there is less price competition in its chosen areas of operation, means that RAC can access these investments on generally more favourable terms than those available to most open-end funds; and
- over time, if an investor can provide an anchor shareholder role, it will build a reputation as an investor of choice. This, in turn, leads to a mutually reinforcing cycle where the management of good companies seek out such investors. It is RAC's aim to build and reinforce such a reputation, something which access to permanent capital will allow it to do.

In the short term, the investment results of such a vehicle should be significantly more volatile – especially against the index – than those of highly regulated, open-end investment vehicles such as unit trusts. It is believed that investors with a tolerance for such short term price volatility will be rewarded with higher longer term returns.

2.5 Major and controlling shareholders

The shareholders who beneficially held 5% or more of the issued ordinary shares of RAC at the last practicable date, were as follows:

Shareholder	Number of shares held	Percentage of ordinary shares in issue (%)
CAL	3 500	50
RCM	3 500	50
Total	7 000	100

2.6 Rights and privileges of the preference shares

Shareholders are referred to Annexure 6 which sets out the rights and privileges of the preference shares.

3. MANAGEMENT AND ADMINISTRATION OF RAC

RAC has, in terms of the portfolio management agreement, appointed the Financial Service Provider as its agent to administer and manage the portfolio in accordance with the provisions thereof, with effect from the commencement date.

The Financial Service Provider carries on business as a financial services provider and, in doing so, is obliged to comply, *inter alia*, with the provisions of the Financial Advisory and Intermediary Services Act, 2002 (Act 37 of 2002), as amended, the Securities Services Act, 2004 (Act 36 of 2004), as amended, and with the Financial Institutions (Protection of Funds) Act, 2001 (Act 28 of 2001), as amended.

All investments comprised in the portfolio controlled by the Financial Service Provider, may from time to time be registered in the name of a nominee company approved by the Financial Service Board in such a way that such nominee company incurs no liabilities other than on behalf of the persons for which it holds financial products and in each case, to an extent not exceeding the value of the financial products belonging to the person on whose behalf the liabilities are incurred. It is recorded that the nominee company will initially be Standard Bank Nominees.

RAC has appointed The Standard Bank of South Africa Limited, a bank registered in terms of the Banks Act, 1990 (Act 94 of 1990), as amended, to be its banker in respect of the investments and to be the custodian of the investments on its behalf.

The Financial Service Provider will, subject to the level of gearing and any other restrictions as may from time to time be imposed by any law, by RAC or by the portfolio management agreement (including the investment mandate), have full power to manage the portfolio by, *inter alia*, purchasing or selling financial products and by investing or reinvesting the cash comprised in the portfolio.

The power to manage the portfolio will, subject to the aforementioned restrictions, include (without limitation) the power, as the Company's agent, to:

- instruct any member of a licensed securities or financial exchange to deal on any such exchange on the Company's behalf in any listed financial instrument or listed security, as the case may be;
- withdraw from any bank account of the Company administered by the Financial Service Provider such monies as may be required to effect payment for financial products purchased and costs associated with any such purchase;
- utilise licensed exchange members and merchant banks for the purchasing and selling of financial products on behalf of the Company;
- invest financial products on the Company's behalf, together with financial products of clients other than the Company, in various pooled accounts with an insurer authorised in terms of the Long-term Insurance Act, 1998 (Act 52 of 1998), as amended, thereby enabling the insurer to effect a money-lending transaction by depositing such monies with various banks finally registered in terms of the Banks Act, 1990 (Act 94 of 1990), as amended;

- execute “put-through” transactions as contemplated in the Equity Rules of the JSE between different clients of the Financial Service Provider, including the Company. Such transactions must at all times, where applicable, be processed through a member of the exchange authorised in terms of the applicable laws;
- where necessary, enter into client agreements on behalf of the Company, including but not limited to the standardised agreements of the International Swaps and Derivatives Association, International Securities Market Association and International Securities Lending Association (where applicable) as well as agreements entered into in accordance with the requirements of any licensed securities or financial exchange and with such members of such exchanges as the Financial Service Provider in its sole and absolute discretion may determine;
- enter into, as agent for and on behalf of the Company, a derivative investment management agreement with any derivative member of the JSE for the purchase and sale of any derivative instruments governed by the Securities Services Act, 2004 (Act 36 of 2004), as amended, and the Derivative Rules of the JSE;
- retain, subject to custody arrangements, any cash accruals (including interest and dividends) that it receives on the Company’s behalf and reinvest such cash accruals at its discretion (whether by depositing the cash accruals in a bank account with a bank finally registered in terms of the Banks Act, 1990 (Act 94 of 1990), as amended, or purchasing financial products other than cash), for the Company’s benefit;
- aggregate purchases or sales of investments for the portfolio with purchases or sales, as the case may be, of the same investments of the same issuer for other clients of the Financial Service Provider occurring on the same day. When transactions are so aggregated, the actual prices applicable to the aggregated transactions will be averaged, and the portfolio and the accounts of other participating clients of the Financial Service Provider will be deemed to have purchased or sold, as the case may be, their proportionate share of the investments involved at the average price so obtained; and
- attend, vote at and otherwise take part in all meetings held in connection with any of the investments of the portfolio and to sign proxies for the purpose of voting thereat or for any purpose connected therewith, and to exercise all other rights and privileges which attach to the investments, provided that the Financial Service Provider exercises such rights in terms of its policies in relation to corporate actions and activism, from time to time, and in accordance with the investment mandate. The Company will be required to refund to the Financial Service Provider any reasonable cost incurred by the Financial Service Provider in taking legal or other professional advice should the Financial Service Provider at any time consider that such advice is necessary or prudent in the execution of its duties in this regard. The Financial Service Provider will consult with the Company before incurring any such expenses.

The portfolio management agreement is terminable as follows:

- the Company may terminate it with immediate effect on written notice to the Financial Service Provider;
- the Financial Services Provider must give the Company at least 30 days’ written notice in order to terminate such agreement; and
- it will terminate forthwith upon the Financial Services Provider ceasing to be an approved financial services provider.

The Financial Services Provider may not initiate any market transaction in any financial products on behalf of the Company after notice of termination has been received or given by it, unless the Company instructs otherwise. Any transaction initiated on behalf of the Company prior to the giving or receipt of the notice of termination must be completed.

Management fees

As remuneration for its services, the Company will be liable to pay the Financial Service Provider a monthly fee, net of value-added tax or any other similar or replacing fiscal charge, of 1,0% per annum of the month end market value of the portfolio.

The Company will furthermore be liable to pay all bank charges related to the bank and safe custody accounts, and all brokerage and other charges as stipulated by the recognised exchange, as well as securities transfer tax or any other tax or duty on securities, and value-added tax in respect of the fees payable by the Company to the Financial Service Provider, and the Financial Services Provider will be authorised to make such payments from the portfolio when they fall due.

Administration expenses

The Company will also pay the Financial Service Provider a secretarial fee of R10 000 (excluding value-added tax) per month.

Risk factors

The Financial Service Provider is mandated to invest in financial products as contemplated in the Financial Advisory and Intermediary Services Act, 2002 (Act 37 of 2002) as amended, which includes a wide range of securities, each of which will bear the normal risks associated with the type of security in question. Investors are specifically referred to Annexure B of the portfolio management agreement detailing the risks relating to investment in derivatives.

As regards possible material risks and uncertainties relating to the preference shares themselves, it is again the usual risks that attach to preference shares that come to mind, some of which are set out below (which does not purport to be an exhaustive list of the risk factors relating to an investment in preference shares). The investor should carefully consider these risks, together with all other information in this document. Any of these risks described below could have a material adverse impact on RAC's business, financial condition and/or results of operations and could therefore have a negative effect on the trading price of the preference shares and preference shareholders could lose all or part of their investment.

General market risk

General movements in local and international markets, factors that affect the investment climate and investor sentiment could all affect the level of trading and therefore the market price of the preference shares. These risks are generally applicable to any investment in listed securities and potential investors should be aware that the preference shares can go down in price as well as up.

Investment risk

There is no guarantee that RAC will achieve its investment objective of replicating, in so far as is possible, the price of a preference share.

Interest rate risk

The upward and downward movements in interest rates will certainly have an effect on the price of the preference shares.

Liquidity risk

There can be no certainty that a liquid market in the preference shares will develop on the JSE. The shares may trade at a discount or premium to their share of the net asset value of the Company.

4. DIRECTORS

4.1 The names, ages, qualifications, nationality, business addresses, occupation, function and a short CV of the directors of RAC are outlined below:

Name, age, qualification and nationality	Business address	Occupation and function
Executive directors		
Pieter Gerhardt Viljoen (47) B Com (Hons), CFA South African	7th Floor, Claremont Central 8 Vineyard Road, Claremont, Cape Town	Executive chairman
Theunis de Bruyn (42) CA(SA) South African	4B, Atterbury Estates 19 Frikkie de Beer Street Pretoria	Financial Director

Name, age, qualification and nationality	Business address	Occupation and function
Non-executive directors		
Werner Stals (48) CA(SA) Australian	Level 15, 37 York Street Sydney NSW 2000 Australia	Non-executive director
Gerrit Pretorius (61) BSc, BEng, LLB, PMD South African	Lincoln Wood Office Park 6 Woodlands Drive Woodmead 2128	Non-executive director

Curriculum Vitae of directors

Pieter Gerhardt Viljoen

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. Piet is the founder and executive chairman of RCM.

Theunis de Bruyn

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 CAL.

Werner Stals

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

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.

Directors of the Financial Service Provider

Theunis de Bruyn, Werner Stals and Pieter Gerhardt Viljoen are also directors of the Financial Service Provider. In addition, the following directors also sit on the board of the directors of the Financial Service Provider:

Mr D Malan, B Com, CFA

He joined RCM in 2003, with over 14 years' investment experience.

Lonn Potgieter, (CA SA)

He joined RCM in 2007, with 18 years' experience in the financial services industry.

4.2 Qualifications, borrowing powers and appointment of directors

The relevant provisions of the Articles of Association of RAC governing the appointment, qualification, remuneration and borrowing powers of directors are set out in Annexure 7 to the prospectus.

According to the Schedule 21 declarations completed by the directors, prescribed in terms of the Listings Requirements, none of the following clauses apply to any of the directors listed in paragraph 4.1: bankruptcies or individual voluntary arrangements, receiverships or compulsory liquidations, partnership voluntary arrangements, receivership of an asset of a partnership, public criticism or disqualification in court by way of statutory or recognised bodies or any offence involving dishonesty.

The directors of RAC have not exceeded their borrowing powers since the Company's incorporation.

4.3 Remuneration of directors

As RAC is a new company, its directors have received no remuneration to date. It is proposed that Gerrit Pretorius be paid a director's fee of R100 000 per annum, with no directors' fees or remuneration being payable to the other directors.

4.4 Directors interests in shares

The directors were issued with ordinary shares as founders and ordinary shares were subsequently issued to them on the conversion of the Company to a public company, which ordinary shares were thereafter disposed of to RCM and CAL with effect from 16 March 2010.

4.5 Directors interests in transactions

RAC has not effected any transactions since its incorporation and as such the directors have not had any material beneficial interests, whether direct or indirect, in any transactions effected by RAC. None of the directors participated in the promotion of the Company.

The directors intend to participate in the offers and will do so on the same terms as are applicable to other applicants.

4.6 Directors' service contracts

There are no service agreements with any director. There is also no contract relating to directors' remuneration.

4.7 Other directorships held by RAC directors

Annexure 8 sets out the names of all companies and partnerships of which the directors are or have been either directors or partners in the past five years.

4.8 Loans granted to management and directors

As at the last practicable date, no loans had been granted by RAC to the directors or management thereof.

5. ASSETS, BORROWINGS AND OTHER FINANCIAL INFORMATION

5.1 Historical financial information

RAC has been dormant since its incorporation on 24 June 2009 and therefore no income has been earned for the period. RAC's historical financial information prepared in terms of IFRS for the four months ended 31 October 2009, as well as the independent reporting accountants' report thereon, are contained in Annexures 1 and 2 of the prospectus.

5.2 *Pro forma* financial information

Based on the consolidated audited results of RAC for the four-month period ended 31 October 2009, the unaudited *pro forma* financial effects of the offers on RAC's EPS, HEPS, NAV and NTAV are set out below. This unaudited *pro forma* financial information (which is the responsibility of RAC's directors) has been prepared for illustrative purposes only and because of its nature may not fairly present RAC's financial position and results of operations, nor the effect and impact of the offers going forward.

Per ordinary share (cents)	Before the offers ⁽¹⁾	Pro forma ⁽²⁾	Percentage change
NAV	(7 864,29)	997,79	>100
NTAV	(7 864,29)	997,79	>100
Number of shares in issue	70	5 000 000	

Notes:

1. Based on RAC's audited results for the period ended 31 October 2009.
2. Based on the assumption that the offers took place on 31 October 2009, for balance sheet purposes.

The text of the independent reporting accountants' report on the unaudited *pro forma* financial effects as set out above, the unaudited *pro forma* income statement and balance sheet and notes thereto, are contained in Annexure 4 to the prospectus.

5.3 Advances, loan capital and borrowings

- No loans have been advanced to RAC.
- The borrowing powers of the Company have not been exceeded since its incorporation.
- The borrowing powers of the directors are set out in Annexure 7.
- No shareholders' loans were recorded on RAC's balance sheet at the last practicable date.
- No loan capital is outstanding.

5.4 Loans receivable

No loans have been made by RAC.

RAC has not made any loans to or for the benefit of any director, manager or any associate of any director or manager of RAC.

5.5 Capital commitments and contingent liabilities

RAC had no material commitments for capital expenditure outstanding at the last practicable date.

RAC has no contingent liabilities.

5.6 Subsidiary companies and inter-company loans

RAC does not have any subsidiary companies.

5.7 Principal immovable property owned and leased

There have been no immovable and leasehold properties acquired or disposed of since the Company's incorporation. Similarly, RAC has not made any material acquisition of securities in another company since its incorporation.

6. SHARE CAPITAL

6.1 Authorised and issued share capital

	R'
BEFORE THE OFFERS	
Authorised	
5 000 000 ordinary shares of 1 cent each	50 000
100 000 000 preference shares of 1 cent each	1 000 000
Issued	
7 000 ordinary shares of 1 cent each	70
0 preference shares of 1 cent each	0
Total	70

Note:

On 16 March 2010, when there were 1 000 authorised ordinary shares with a par value of R1 each in the capital of RAC, of which 70 ordinary shares were in issue, each ordinary share was subdivided into 100 ordinary shares with a par value of 1 cent each, resulting in an authorised capital of 100 000 ordinary shares with a par value of 1 cent each and 7 000 issued ordinary shares with a par value of 1 cent each. A further 4 900 000 new ordinary shares with a par value of 1 cent each were also created.

Following the listing of the Company, the share capital will be as follows:

	R'
AFTER THE OFFERS	
Authorised	
5 000 000 ordinary shares of 1 cent each	50 000
100 000 000 preference shares of 1 cent each	1 000 000
Issued	
5 000 000 ordinary shares of 1 cent each	50 000
Share premium on issue of 4 993 000 new ordinary shares	49 950 000
45 000 000 preference shares of 1 cent each	450 000
Share premium on issue of 45 000 000 preference shares	449 550 000
Total	500 000 000

Note:

Simultaneously with the issue of the preference shares, the 4 993 000 authorised but unissued ordinary shares with a par value of 1 cent each will be issued to the ordinary shareholders in equal proportions, at a premium of R10,0040056 per share, resulting in an additional capital raising of R49 999 930.

At the last general meeting of the Company held on 16 March 2010, the shareholders approved the ordinary resolution placing the ordinary shares and the preference shares under the control of the directors of the Company, in terms of section 221 of the Companies Act.

The preference shares to be issued pursuant to the offers will be listed on the JSE. The preference shares are of one class, namely redeemable, participating, non-cumulative preference shares with a par value of 1 cent each and rank *pari passu* with each other in all respects.

The preference shares have been created and issued with the rights and privileges contained in the Articles of Association of RAC, extracts of which are set out in Annexure 6.

6.2 Alterations to share capital, consolidations, subdivisions

The Company was incorporated with an authorised ordinary share capital of 1 000 ordinary shares with a par value of R1 per share. On 16 March 2010, each such ordinary share was subdivided into 100 ordinary shares with a par value of 1 cent each and a further 4 900 000 new ordinary shares with a par value of 1 cent each were created. Also on 16 March 2010, 100 000 000 new preference shares with a par value of 1 cent each were created. No consolidations have been undertaken.

6.3 Issues of shares

Upon incorporation, the Company had an authorised share capital of 1 000 ordinary shares. The Company allotted and issued 70 ordinary shares with a par value of R1 per share to its founding shareholders and institutional shareholders.

7. DETAILS OF THE OFFERS

The private placement is to be made with selected placees. Simultaneously, preference shares not taken up by the placees will be offered to the public in terms of the public offer.

Placees must make application for preference shares in terms of the private placement by completing the attached green application form in accordance with the instructions contained therein and with the provisions of this prospectus.

Members of the public are also invited to apply for preference shares and should do so by completing the attached yellow application form in accordance with the instructions contained therein and with the provisions of this prospectus.

The offers are subject to the spread of public shareholders, as required in terms of the Listings Requirements, being achieved and to a minimum of R200 000 000 being raised.

7.1 Particulars of the private placement and the public offer

Issue price per preference share	R10
Number of preference shares offered in terms of the private placement	40 000 000
Number of preference shares offered in terms of the public offer	5 000 000
Minimum number of preference shares to be subscribed for per applicant	100
Minimum Rand value of subscription per applicant	R1000
Minimum amount to be raised in terms of the offers	R200 000 000
Total amount to be raised in terms of the offers	R450 000 000

Notes:

- The issue price comprises a par value of 1 cent and a premium of R9,99 per preference share.
- Placees will be invited to subscribe for up to a maximum of 40 000 000 preference shares in terms of the private placement, thereby raising R400 000 000. Should any part of the 40 000 000 preference shares not be taken up as aforesaid, the preference shares will be offered to the public in terms of the public offer. The shares to be issued in terms of the private placement will be issued at the same issue price as the preference shares issued in terms of the public offer.
- Simultaneously with the issue of the preference shares, the 4 993 000 authorised but unissued ordinary shares with a par value of 1 cent each will be issued to the ordinary shareholders in equal proportions, at a premium of R10,0040056 per share, resulting in an additional capital raising of R49 999 930.

7.2 Salient times and dates

	2010
Offers open at 09:00 and abridged prospectus announcement published on SENS	Friday, 14 May
Publication of abridged prospectus in the press	Monday, 17 May
Offers close at 12:00	Thursday, 3 June
Accounts at CSDP or broker credited with the preference shares and debited with the monies in respect of dematerialised preference shareholders	Tuesday, 8 June
Posting of certificates to certificated shareholders	Tuesday, 8 June
Listing of the preference shares commences at 09:00 on	Tuesday, 8 June

Note: The abovementioned times and dates are South African times and dates and are subject to amendment. Any such amendment will be released on SENS and published in the press.

7.3 Requisite approvals

All requisite regulatory approvals regarding the offer, issue and listing of the preference shares, including SARB approval, have been obtained.

7.4 Applicable law

The offers will be exclusively governed by the laws of South Africa and each applicant will be deemed, by applying for the preference shares, to have consented and submitted to the jurisdiction of the courts of South Africa in relation to all matters arising out of or in connection with the offers.

7.5 Authorisations

The offers are made following the obtaining of the approval of the board of directors and all shareholders in a general meeting held on 5 November 2009.

7.6 Allocations and over-subscriptions

If the preference shares applied for in the public offer exceed 100% of the preference shares available, the directors will apportion the available preference shares in an equitable manner and with due regard to the Listings Requirements. Non-equitable allocations of excess preference shares will only be allowed in instances where they are used to round holdings up to a minimum of 100 preference shares.

An announcement will be published on SENS on Monday, 7 June 2010 and in the press on Tuesday, 8 June 2010, stating the results of the offers and the amount of preference shares allocated under the private placement and the public offer applications respectively.

7.7 Minimum subscription and offer not underwritten

The offers are not underwritten and are accordingly subject to a total minimum subscription amount of R200 000 000 being raised thereby, so as to provide the Company with sufficient working capital, after defraying preliminary expenses, to acquire the range of investments that will result in optimised returns. Should such amount not be raised, the offers will be deemed to have been withdrawn and no applicant will have any claims against the Company resulting from such withdrawal.

7.8 Procedures for subscription of preference shares

Applicants who require share certificates should forward their applications to Link Market Services (the transfer secretaries).

Applicants who require dematerialised securities should approach their broker/CSDP to submit application forms.

- Applications in respect of the offers must be made on the relevant attached application form/s provided to applicants. Photocopies or reproductions will be accepted. Each application will be regarded as a single application.
- The preference shares offered may not be applied for in the name of a minor, deceased estate or partnership. Executors, trustees and individual partners may apply for the preference shares offered in their own name (but in their official capacities) or through nominee companies. No documentary evidence of capacity need accompany the application form, but the directors of RAC reserve the right to call upon any applicant to furnish such evidence for noting.
- Applications are irrevocable once received by the transfer secretaries or broker/CSDP.
- No receipts will be issued for applications and/or payments received.
- Applications must be for a minimum of 100 preference shares and in multiples of 100 preference shares thereafter.
- Preference shares can only be traded on the JSE trading system in electronic form and accordingly, all shareholders who elect to receive certificated shares will first have to dematerialise their share certificates should they wish to so trade their shares. Applicants are advised that it takes between 24 hours and 10 days to dematerialise their certificated shares depending on the volumes being processed by Strate at the time of dematerialisation.

- Delivery versus payment

- public offer

Payment for dematerialised preference shares in terms of the public offer will be done on a delivery versus payment basis, via the trade matched. For such purpose, each applicant's CSDP will be required to make payment of the aggregate issue price for the allocated preference shares on the settlement date. An applicant must accordingly place its CSDP with funds or make other necessary arrangements with its CSDP, in accordance with each applicant's agreement with its CSDP, by not later than the date and time set out in paragraph 7.12. The applicant's CSDP must commit in Strate to the receipt of the applicant's allocation of the preference shares against payment therefor by no later than 17:00 on Tuesday, 8 June 2010. On the settlement date, the applicant's allocation of the preference shares will be credited to the applicant's CSDP or broker against payment during the Strate settlement runs which occur throughout that day.

Where an applicant has elected to receive his preference shares in certificated form, such applicant must make payment by way of a bank guaranteed cheque, banker's draft or electronic funds transfer, in accordance with the requirements set out in paragraph 7.12. All cheques and/or banker's drafts will be deposited immediately for payment. Applications will only be regarded as complete once payment for the total amount of preference shares applied for has been received and monies cleared, failing which the Company may, in its sole discretion, regard the relevant application as invalid or take such other steps in regards thereto as it may deem fit. In the event of an application for preference shares in certificated form being rejected in whole or accepted for a lesser number of preference shares than applied for, any application monies or surplus application monies paid, will be refunded by the transfer secretaries by cheque drawn on a bank in South African currency and posted by ordinary mail at the risk of the applicant on or about Tuesday, 15 June 2010. Interest will be paid on monies refunded to applicants at the prevailing Standard Bank overnight deposit rate, net of bank charges.

- private placement

Each applicant in terms of the private placement electing to receive his preference shares in dematerialised form must place its funds with its CSDP or make other necessary arrangements to enable its CSDP to make payment of the aggregate issue price for the allocated preference shares on the settlement date, in accordance with each applicant's agreement with its CSDP.

As regards application made for certificated preference shares in terms of the private placement, payment should be made by bank guaranteed cheque, banker's draft or electronic funds transfer, in accordance with the requirements set out in paragraph 7.12. All cheques and banker's drafts will be deposited immediately for payment. Applications will only be regarded as complete once payment for the total amount of preference shares applied for has been received and monies cleared, failing which the Company may, in its sole discretion, regard the relevant application as invalid or take such other steps in regards thereto as it may deem fit. In the event of an application being rejected in whole or accepted for a lesser number of preference shares than applied for, any application monies or surplus application monies paid, will be refunded by the transfer secretaries by cheque drawn on a bank in South African currency and posted by ordinary mail at the risk of the applicant on or about Tuesday, 15 June 2010. Interest will be paid on monies refunded to applicants at the prevailing Standard Bank overnight deposit rate, net of bank charges.

- Preference shares will be issued in the currency of the Republic of South Africa or such other currency as may be approved under Exchange Control Regulations. "Blocked Rand" may be used by emigrants and non-residents of the common monetary area for payment in terms of the offers. In this regard, reference should be made to paragraph 7.14 below dealing with Exchange Control Regulations.

7.9 Application for dematerialised preference shares

Applicants who elect to receive their allocated preference shares in dematerialised form may do so, in which case the application form and particularly the section in respect of their CSDP or broker must be completed and, returned to the CSDP or broker so as to be received by no later than 12:00 on Thursday, 3 June 2010.

Payment to the broker or CSDP will be in the manner agreed to by the two parties.

No late applications will be accepted.

7.10 Application for certificated shares

if delivered by hand or courier:

Link Market Services South Africa
(Pty) Limited
16th Floor
11 Diagonal Street
Johannesburg, 2001

if posted:

Link Market Services South Africa
(Pty) Limited
(PO Box 4844, Johannesburg, 2000)

if faxed:

Link Market Services South Africa (Pty) Limited
Fax: 0866 743 330

Applicants who elect to receive their allocated preference shares in certificated form may do so, in which case the application form must be completed and returned to the transfer secretaries at the addresses or fax number mentioned above, so as to be received by no later than 12:00 on Thursday, 3 June 2010.

No late applications will be accepted.

7.11 Disadvantages of holding shares in certificated form

- The current risks associated with the holding of shares in certificated form, including the risk of loss, in respect of tainted scrip, remain.
- When a shareholder holding certificated preference shares wishes to transact on the JSE, such shareholder will be required to appoint a CSDP or broker to dematerialise the relevant preference shares prior to his broker being able to transact in such shares. Such dematerialisation could take up to ten days. A certificated shareholder will have no recourse in the event of delays occasioned by the validation process or the acceptance or otherwise of his certificated shares by a CSDP.

7.12 Payment in respect of preference shares applied for

7.12.1 *Payment for preference shares in terms of the private placement*

- *Payment for dematerialised shares in terms of the private placement*

Each applicant in terms of the private placement electing to receive his preference shares in dematerialised form must place its funds with its CSDP or make other necessary arrangements to enable its CSDP to make payment of the aggregate issue price for the allocated preference shares on the settlement date, in accordance with each applicant's agreement with its CSDP.

- *Payment for certificated preference shares in terms of the private placement*

– Payment by electronic transfer

Applicants who wish to pay for the preference shares applied for in certificated form by way of electronic transfer may do so, in which case the **proof of such payment by electronic transfer must be delivered by hand, posted or faxed or emailed to the transfer secretaries to:**

if delivered by hand or courier:

Link Market Services South Africa (Pty) Limited
16th Floor
11 Diagonal Street
Johannesburg, 2001

if posted:

Link Market Services South Africa (Pty) Limited
(PO Box 4844, Johannesburg, 2000)

if faxed:

Link Market Services South Africa (Pty) Limited
Fax: 0866 743 330
or emailed to specialprojects@linkmarketservices.co.za

so as to be received by no later than 12:00 on Thursday, 3 June 2010.

Payment by electronic transfer must be made into the following bank account:

Bank:	Standard Bank
Branch:	Thibault Square
Branch code:	02 09 09
Account name:	Recm & Calibre Limited
Account number:	07 313 909 2
Type of account:	Business Current Account

RAC accepts no responsibility and will not be liable for the correctness of any allocation of the preference shares pursuant to payment being made or alleged to have been made by way of electronic transfer due to proof of such payment not being received or purported proof of such payment being insufficient or defective or RAC, for any reason, not being able to reconcile a payment or purported payment with a particular application for preference shares.

- Payment by bank guaranteed cheque or banker's draft

Applicants who wish to pay for the preference shares applied for in certificated form by way of **bank guaranteed cheque** or **banker's draft** may do so, in which case payment in the form of a bank guaranteed cheque or banker's draft (crossed and marked "not transferable" and drawn in favour of "**RAC Private Placement**", must be delivered in an envelope marked "**RAC Private Placement**" to the transfer secretaries:

Link Market Services South Africa (Pty) Limited
16th Floor
11 Diagonal Street
Johannesburg, 2001

so as to be received by no later than 12:00 on Thursday, 3 June 2010.

7.12.2 Payment for preference shares in terms of the public offer

- *Payment for dematerialised preference shares in terms of the public offer*

Each applicant in terms of the public offer electing to receive his preference shares in dematerialised form must place its funds with its CSDP or make other necessary arrangements to enable its CSDP to make payment of the aggregate issue price for the allocated preference shares on the settlement date, in accordance with each applicant's agreement with its CSDP.

- *Payment for certificated preference shares in terms of the public offer*

- Payment by electronic transfer

Applicants who wish to pay for the preference shares applied for in certificated form by way of electronic transfer may do so, in which case the **proof of such payment by electronic transfer must be delivered by hand, posted or faxed or emailed to the transfer secretaries to:**

if delivered by hand or courier:

Link Market Services South Africa (Pty) Limited
16th Floor
11 Diagonal Street
Johannesburg, 2001

if posted:

Link Market Services South Africa (Pty) Limited
(PO Box 4844, Johannesburg, 2000)

if faxed:

Link Market Services South Africa (Pty) Limited
Fax: 0866 743 330
or emailed to specialprojects@linkmarketservices.co.za

so as to be received by no later than 12:00 on Thursday, 3 June 2010.

Payment by electronic transfer must be made into the following bank account:

Bank:	Standard Bank
Branch:	Thibault Square
Branch code:	02 09 09
Account name:	Recm & Calibre Limited
Account number:	07 313 909 2
Type of account:	Business Current Account

RAC accepts no responsibility and will not be liable for the correctness of any allocation of the preference shares pursuant to payment being made or alleged to have been made by way of electronic transfer due to proof of such payment not being received or purported proof of such payment being insufficient or defective or RAC, for any reason, not being able to reconcile a payment or purported payment with a particular application for preference shares.

- Payment by bank guaranteed cheque or banker's draft

Applicants who wish to pay for the preference shares applied for in certificated form by way of **bank guaranteed cheque** or **banker's draft** may do so, in which case payment in the form of a bank guaranteed cheque or banker's draft (crossed and marked "not transferable" and drawn in favour of "**RAC Public Offer**", must be delivered in an envelope marked "**RAC Public Offer**" to the transfer secretaries:

Link Market Services South Africa (Pty) Limited
16th Floor
11 Diagonal Street
Johannesburg, 2001

so as to be received by no later than 12:00 on Thursday, 3 June 2010.

All monies received in respect of applications will be held by the transfer secretaries in a designated trust account with a registered South African bank.

7.13 Reservation of rights

The directors reserve the right to accept or reject, either in whole or in part, any applications should the terms and the instructions contained in this prospectus and in the applicable offer application form not be properly complied with.

7.14 Issue of the preference shares

- All preference shares will be issued at the expense of RAC.
- All preference shares to be issued are subject to the provisions of RAC's memorandum and Articles of Association and will rank *pari passu* in all respects with each other. Annexure 7 contains relevant extracts from RAC's Articles of Association.
- RAC will use the "certified transfer deeds" and other temporary "documents of title" procedure approved by JSE and therefore will issue only a "block" certificate for the preference shares allotted in terms of the offers for an applicant who requests a share certificate.
- RAC will adhere to the recognised and standardised electronic clearing and settlement procedures operating within the JSE environment. The preference shares will only be traded on the JSE in electronic form and as such, all shareholders will have to dematerialise their shares should they wish to so trade them. Applicants are advised that it takes between 24 hours and 10 days to dematerialise certificated shares, depending on volumes being processed by Strate at the time of the dematerialisation.
- The principle features of Strate are as follows:
 - trades executed on the JSE must be settled within five business days;
 - penalties are levied for late settlement;
 - electronic record of ownership replaces share certificates and physical delivery of certificates; and
 - all investors are required to appoint either a broker or CSDP to act on their behalf and to handle all settlement requirements.

7.15 Exchange Control Regulations

The following summary is intended as a guide only and is therefore not comprehensive. If you are in any doubt in regard hereto, please consult your professional adviser.

- South African Exchange Control Regulations

In terms of the South African Exchange Control Regulations:

- a former resident of the common monetary area who has emigrated may use emigrant blocked funds to subscribe for preference shares in terms of the prospectus;
 - all payments in respect of subscriptions for preference shares by an emigrant using emigrant blocked funds must be made through the authorised dealer in foreign exchange controlling the blocked assets;
 - any preference share certificates that might be issued pursuant to the use of emigrant blocked funds will be endorsed “non-resident” and will be sent to the authorised dealer in foreign exchange through whom the payment was made; and
 - if applicable, refund monies payable in respect of unsuccessful applications or partly successful applications, as the case may be, for preference shares in terms of the prospectus emanating from emigrant blocked accounts will be returned to the authorised dealer in foreign exchange through whom the payments were made, for credit to such applicants’ blocked accounts. Applicants resident outside the common monetary area should note that, where share certificates are in fact issued, such preference share certificates will be endorsed “non-resident” in terms of the Exchange Control Regulations.
- Applicants resident outside the common monetary area:
 - In terms of the South African Exchange Control Regulations, non-residents, excluding former residents of the common monetary area, will be allowed to subscribe for preference shares in terms of the offers or purchase preference shares pursuant to the listing, provided that payment is received either through normal banking channels from abroad or from a non-resident account. All applications by non-residents must be made through an authorised dealer in foreign exchange.
 - A person who is not resident in the common monetary area should obtain advice as to whether any governmental and/or legal consent is required and/or whether any other formality must be observed to enable a subscription to be made in terms of the public offer.
 - The prospectus is not an offer in any area of jurisdiction in which it is illegal to make such an offer. In such circumstances, the prospectus is sent for information purposes only.

8. BROKERAGES, COMMISSIONS AND OPTIONS

No commission or consideration has been paid by RAC in respect of the allotment or issue of shares since the Company’s incorporation. No commission was/shall be paid in respect of the allotment or issue of the preference shares to be issued in terms of this prospectus.

No contract or arrangement has been concluded or is to be concluded whereby any option or preferential right of any kind was or is proposed to be given to any person to subscribe for any shares in the Company.

9. GOVERNMENT PROTECTION AND INVESTMENT ENCOURAGEMENT LAW

There is no government protection or any investment encouragement law affecting the business operated by the Company.

10. ROYALTIES

No royalties or items of a similar nature are payable by the Company.

11. LITIGATION STATEMENT

There are no legal or arbitration proceedings against the Company, nor are the directors of RAC aware of any such proceedings which are pending or threatened against the Company which may have or have had, in the 12-month period preceding the last practicable date, a material effect on RAC’s financial position.

12. DIRECTORS’ RESPONSIBILITY STATEMENT

The directors of RAC, whose names are given in paragraph 4:

- have considered all statements of fact and opinion in the prospectus;
- collectively and individually accept full responsibility for the accuracy of the information given;

- certify that, to the best of their knowledge and belief, there are no other facts the omission of which would make any statement false or misleading;
- have made all reasonable enquiries in this regard; and
- certify that, to the best of their knowledge and belief, the prospectus contains all information required by law and the Listings Requirements.

13. CODE OF CORPORATE PRACTICE AND CONDUCT

The statement by RAC in support of the King Report on Corporate Governance in South Africa is set out in Annexure 9 of the prospectus.

14. MATERIAL CONTRACTS

With the exception of the portfolio management agreement, RAC has not entered into any material contracts, either verbally or in writing, from the date of its incorporation up to the last practicable date.

15. MATERIAL CHANGES

As from RAC's incorporation on 24 June 2009 until the last practicable date, there have been no material changes in its affairs.

16. EXPENSES OF THE OFFERS AND THE LISTING

The expenses relating to the offers and the listing, inclusive of value-added tax, are estimated to be R1 000 000.

	Rand
Sponsor – Deloitte & Touche Sponsor Services (Pty) Limited	342 000
Independent reporting accountants – Grant Thornton	80 000
Attorneys – ENS	250 000
JSE listing fee (assuming all shares are subscribed)	135 134
JSE inspection fees	55 900
Strate	10 423
Transfer secretaries – Link Market Services	5 000
Printing and publishing costs	121 543
Total	1 000 000

17. ADVISERS' INTEREST

The sponsor, attorneys, auditors and independent reporting accountants do not have any interest in the issued share capital as at the last practicable date.

18. LISTING ON OTHER STOCK EXCHANGES

The preference shares will not be listed on any other securities exchange and it is not intended at this stage to apply for a listing of preference shares on any other securities exchange.

19. EXPERTS' CONSENTS

Each of the sponsor, the attorneys, the independent reporting accountants and the transfer secretaries, have consented in writing to act in the capacities stated and to their names being stated in the prospectus and have not withdrawn their consent prior to its publication.

The reporting accountants have consented to the inclusion of their reports in the form and context in which they are included in the prospectus, which consents have not been withdrawn prior to the publication of the prospectus.

20. DOCUMENTATION AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at RAC's registered office during business hours from date of issue of the prospectus up to and including Thursday, 3 June 2010:

- its Memorandum and Articles of Association;
- the letters of consent received from all advisers referred to in paragraph 19 above with regard to the publication of their names in the form and context in which they appear in the prospectus;
- the portfolio management agreement;
- the audited financial statements of RAC for the four months ended 31 October 2009;
- the signed independent reporting accountants' report on the report of historical financial information, the text of which has been attached as Annexure 2 to this prospectus;

- the signed independent reporting accountants' report on unaudited *pro forma* financial information, the text of which has been attached as Annexure 4 to this prospectus; and
- the signed copy of this prospectus.

21. WORKING CAPITAL

As a newly incorporated company, RAC does not currently have overdraft facilities with its bankers.

The directors anticipate that, subsequent to the offers and listing:

- the Company will be able in the ordinary course of business to pay its debts;
- the assets of the Company will be in excess of the liabilities of the Company;
- the share capital and reserves of the Company will be adequate for its ordinary business requirements; and
- the Company will have sufficient working capital that is adequate for its future requirements.

22. PARAGRAPHS OF SCHEDULE 3 TO THE COMPANIES ACT WHICH ARE NOT APPLICABLE

The numbers of the paragraphs in Schedule 3 to the Companies Act, which are not applicable, are: 1(b), 6(a)(iii), 6(c), 6(d), 6(e)(i) and (ii), 6(f)(ii)-(iv), 6(g), 6(h), 8(b), 8(d), 9(a), 9(b), 10, 11, 12(a)-(e), 13, 14, 16(a) and (b), 17, 18(b), 20(b), 21(a)(i), (iii) and (v), 21(b), 24, 25(1)(b), 25(3), 26, 27, 28 and 31.

Signed in Pretoria on behalf of all the directors of the Company in terms of powers of attorney granted on 16 March 2010.



Theunis de Bruyn
Financial Director

6 May 2010

HISTORICAL FINANCIAL INFORMATION REGARDING RAC FOR THE FOUR MONTHS ENDED 31 OCTOBER 2009

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

The historical financial information has been extracted and compiled from the audited financial statements of RAC, the preparation of which is the responsibility of the directors of RAC.

The historical financial information was audited by Grant Thornton and was reported on without qualification for all of the abovementioned financial years.

The independent reporting accountant's report on the historical financial information is presented in Annexure 2 of the prospectus.

Borrowing limitations

In terms of the Articles of Association of the Company, the directors may exercise all the powers of the Company to borrow money, as they consider appropriate.

Special resolutions

At a general meeting of the shareholders on 3 September 2009, it was resolved that the Company change its name from Velvospec Limited to Recm & Calibre Limited and the main objective of the Company was changed to that of investments as principal.

In a resolution that was passed at a general meeting held on 5 November 2009, the directors of the Company were specifically authorised to allot and issue such number of preference shares in the capital of the Company to shareholders in order to implement the acquisition of investments.

BALANCE SHEET

	Note(s)	2009 R
ASSETS		
Current assets		
Cash and cash equivalents		70
Total Assets		70
EQUITY AND LIABILITIES		
Equity		
Share capital	3	70
Accumulated loss		(5 575)
		(5 505)
LIABILITIES		
Current liabilities		
Trade and other payables	4	5 575
Total equity and liabilities		70

INCOME STATEMENT

		4 months 2009 R
	Note(s)	
Operating expenses		
Secretarial fees		5 575
Loss for the 4 months		(5 575)

STATEMENT OF CHANGES IN EQUITY

		Share capital R	Accumulated loss R	Total equity R
	Note(s)			
Balance at 13 July 2009				
Changes in equity		–	–	–
Loss for 4 months		–	(5 575)	(5 575)
Issue of shares		70	–	70
Total changes		70	(5 575)	(5 505)
Balance at 31 October 2009		70	(5 575)	(5 505)
Note(s)	3			

CASH FLOW STATEMENT

		4 months 2009 R
	Note(s)	
Cash flow from financing activities		
Proceeds on share issue	3	70
Total cash movement for the 4 months		70
Cash at the beginning of the 4 months		–
Total cash at end of the 4 months		70

ACCOUNTING POLICIES

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements have been prepared in accordance with 'International Financial Reporting Standards', and the Companies Act of South Africa, as amended. The annual 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 Significant judgements

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

Impairment testing

The Company reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including investment estimates, together with economic factors such as interest rate fluctuations.

1.2 Tax

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

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

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

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

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 effective and adopted in the current 4 months

In the current 4 months, the Company has adopted the following standards and interpretations that are effective for the current financial 4 months and that are relevant to its operations:

2.2 Standards and interpretations not yet effective

The Company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Company's accounting periods beginning on or after 1 November 2009 or later periods:

2.3 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 1 November 2009 or later periods but are not relevant to its operations:

IAS 1 (Revised) Presentation of Financial Statements

The main revisions to IAS 1 (AC 101):

- Require the presentation of non-owner changes in equity either in a single statement of comprehensive income or in an income statement and statement of comprehensive income.
- Require the presentation of a balance sheet at the beginning of the earliest comparative period whenever a retrospective adjustment is made. This requirement includes related notes.
- Require the disclosure of income tax and reclassification adjustments relating to each component of other comprehensive income. The disclosures may be presented on the face of the statement of comprehensive income or in the notes.
- Allow dividend presentations to be made either in the statement of changes in equity or in the notes only.
- Have changed the titles to some of the financial statement components, where the 'balance sheet' becomes the 'statement of financial position' and the 'cash flow statement' becomes the 'statement of cash flows.' These new titles will be used in International Financial Reporting Standards, but are not mandatory for use in financial statements.

The effective date of the standard is for years beginning on or after 1 January 2009.

The Company expects to adopt the standard for the first time in the 2010 annual financial statements.

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

IAS 23 (Revised) Borrowing Costs

The revision requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed.

The effective date of the standard is for years beginning on or after 1 January 2009.

The Company expects to adopt the standard for the first time in the 2010 annual financial statements.

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

IFRS 8 Operating segments

IFRS 8 (AC 145) replaces IAS 14 (AC 115) Segment Reporting. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes.

The effective date of the standard is for years beginning on or after 1 January 2009.

The Company expects to adopt the standard for the first time in the 2010 annual financial statements.

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

May 2008 Annual Improvements to IFRSs: Amendments to IFRS 7 Financial Instruments: Disclosures

The amendment relates to changes in the Implementation Guidance of the Standard. 'Total interest income' was removed as a component of finance costs from paragraph IG13. This was to remove inconsistency with the requirement of IAS 1 (AC 101) Presentation of Financial Statements which precludes the offsetting of income and expenses.

The effective date of the amendment is for years beginning on or after 1 January 2009.

The Company expects to adopt the amendment for the first time in the 2010 annual financial statements.

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

May 2008 Annual Improvements to IFRSs: Amendments to IAS 1 Presentation of Financial Statements

The amendment is to clarify that financial instruments classified as held for trading in accordance with IAS 39 (AC 133) Financial Instruments: Recognition and Measurement are not always required to be presented as current assets/liabilities.

The effective date of the amendment is for years beginning on or after 1 January 2009.

The Company expects to adopt the amendment for the first time in the 2010 annual financial statements.

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

May 2008 Annual Improvements to IFRSs: Amendments to IAS 10 Events after the Reporting Period

The amendment clarified that if dividends are declared (appropriately authorised and no longer at the discretion of the entity) after the reporting period but before the financial statements are authorised for issue, the dividends may not be recognised as a liability as no obligation exists at the reporting date. Thus clarifying that in such cases a liability cannot be raised even if there is a constructive obligation.

The effective date of the amendment is for years beginning on or after 1 January 2009.

The Company expects to adopt the amendment for the first time in the 2010 annual financial statements.

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

3. SHARE CAPITAL

	R
Authorised	
1 000 ordinary shares of R1 each	1 000
930 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	
70 ordinary shares of R1 each	70
<hr/>	
4. TRADE AND OTHER PAYABLES	
Other payables	5 575
<hr/>	
5. CASH GENERATED FROM OPERATIONS	
Loss before taxation	(5 575)
<hr/>	
Changes in working capital:	
Trade and other payables	5 575
<hr/>	
	–
<hr/>	

6. RELATED PARTIES

Relationships

Shareholders with significant influence	de Bruyn, T Stals, W Viljoen, PG Calibre Capital Limited Regarding Capital Management (Proprietary) Limited
Members of key management	de Bruyn, T Potgieter, L Viljoen, PG

7. COMPARATIVE FIGURES

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

8. RISK MANAGEMENT

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

There are no externally imposed capital requirements.

Financial risk management

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

The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out

by a central treasury department (company treasury) under policies approved by the board of directors. Company treasury identifies, evaluates and hedges financial risks in close co-operation with the company's operating units. The board of directors provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

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

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

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

Interest rate risk

As the Company has no significant interest-bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The Company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

9. GOING CONCERN

We draw attention to the fact that at 31 October 2009, the Company had accumulated losses of (R5 575) and that the Company's total liabilities exceed its assets by (R5 505).

The annual 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 for the Company.

10. ADDITIONAL INFORMATION REQUIRED BY SECTION 8.11 OF THE JSE LISTING REQUIREMENTS

- 8.11(a) No major changes occurred in the nature of property, plant and equipment and therefore in the accounting policies regarding thereof.
- 8.11(b) There were no material loans receivable.
- 8.11(c) Not applicable as there were no material loans receivable.
- 8.11(d) There were no material borrowings, including debentures and similarly securities/instruments.
- 8.11(e) The aggregate amounts and particulars of the ordinary shares are as per note 4 of the financial statements.
- 8.11(f) The Company did not have any schemes involving the staff.
- 8.11(g) The Company does not have any subsidiaries.
- 8.11(h) The Company did not have any share of net profits and/or losses from subsidiaries as the Company does not have any subsidiaries.

- 8.11(i) No directors' emoluments were paid or accrued by the Company.
- 8.11(j) The net asset value and tangible net asset value per share where as follows:
- | | |
|--|------------|
| • Issued ordinary shares | 70 |
| • Net asset value per share (cents) | (7 864,29) |
| • Tangible net asset value per share (cents) | (7 864,29) |
- 8.11(k) The earnings, diluted earnings, headline earnings and dividends per share where as follows:
- | | |
|---------------------------------------|------------|
| • Issued ordinary shares | 70 |
| • Earnings per share (cents) | (7 864,29) |
| • Diluted earnings per share (cents) | (7 864,29) |
| • Headline earnings per share (cents) | (7 864,29) |
| • Dividends per share (cents) | – |
- 8.11(l) No material changes occurred in the nature of the business.
- 8.11(m) No material fact or circumstances has occurred between the end of the latest financial year of the Company and the date of the prospectus, except for:

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

- Ordinary shares:
 - Conversion of 1 000 ordinary shares of R1 each to 100 000 ordinary shares of R0,01 each, thus the issued share capital changed to 7 000 ordinary shares of R0,01 each.
 - Increase of the authorised share capital from 100 000 ordinary shares of R0,01 each to 5 000 000 ordinary shares of R0,01 each.
 - Increase of 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.
- Creation, issue and listing of preference shares: 45 000 000 preference shares of R0,01 each and a share premium of R9,99 each.

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE REPORT OF HISTORICAL FINANCIAL INFORMATION FOR THE FOUR MONTHS ENDED 31 OCTOBER 2009

3 May 2010

The Directors

Recm & Calibre Limited
7th Floor
Claremont Central
8 Vineyard Road
Claremont
Cape Town, 7700

Dear Sirs

REPORT OF THE INDEPENDENT REPORTING ACCOUNTANTS ON THE HISTORICAL FINANCIAL INFORMATION REPORTED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Introduction

At your request and for the purposes of the prospectus to Recm & Calibre Limited ("RAC") shareholders, to be dated on or about Friday, 14 May 2010, we present our report on the historical financial information in respect of listing of preference shares, as set out in Annexure 1 of this prospectus, in compliance with the Listings Requirements of the JSE Limited ("JSE").

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. 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.

Reporting Accountant's Responsibility

Our responsibility is to express an opinion on the historical financial information included as Annexure 1 of this prospectus.

Scope

We have audited the financial information of RAC for the four months ended 31 October 2009.

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 auditor's judgment, 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 management, 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 historical financial information of RAC for the four months ended 31 October 2009 fairly presents, in all material respects, the financial position at that date, and the results of the operations and cash flows for the period then ended in accordance with International Financial Reporting Standards, IAS 34 and the JSE Listings Requirements.

Consent

We consent to the inclusion of this report, which will form part of the prospectus to shareholders of RAC, to be issued on or about Friday, 14 May 2010, in the form and context in which it appears.

Yours faithfully

Grant Thornton

Chartered Accountants (SA)
Registered Auditors

Per: A Vieira

Chartered Accountant (SA)
Registered Auditor
121 Boshoff Street
New Muckleneuk
Pretoria
0181

PRO FORMA BALANCE SHEET AT 31 OCTOBER 2009

The *pro forma* financial information of RAC is included below.

The unaudited *pro forma* financial statements, which is the responsibility of RAC's directors, have been prepared for illustrative purposes only to provide information on the effect of the offers. Because of its nature, the unaudited *pro forma* financial information may not give a fair reflection of RAC's financial position after the offers.

The *pro forma* financial information is based on the assumption that the offers are fully subscribed.

The actual column is an extract from the audited financial statements of the Company as at 31 October 2009. The adjustments column reflects the impact of the offer.

The unaudited *pro forma* column reflects the *pro forma* financial position of RAC as at 31 October 2009.

PRO FORMA BALANCE SHEET OF RAC AFTER LISTING OF PREFERENCE SHARES

Notes	Actual 31 Oct 2009 R	Adjustments for listing R	Pro forma 31 Oct 2009 R
ASSETS			
Current assets	70	499 999 930	500 000 000
Cash and cash equivalents	70	499 999 930	500 000 000
Total assets	70	499 999 930	500 000 000
EQUITY AND LIABILITIES			
Equity	(5 505)	49 904 947	49 899 442
Share capital	70	49 999 930	50 000 000
Accumulated loss attributable to ordinary shares	5 (5 575)	(94 983)	(100 558)
Non-current liabilities	–	449 094 983	449 094 983
Preference shares	–	450 000 000	450 000 000
Accumulated loss attributable to preference shares	5 –	(905 017)	(905 017)
Current liabilities	–	449 094 983	449 094 983
Trade and other payables	5 575	1 000 000	1 005 575
Total equity and liabilities	70	499 999 930	500 000 000
Number of shares	70	–	5 000 000
Net asset value per share (cents)	(7 864,29)	–	997,79
Tangible net asset value per share (cents)	(7 864,29)	–	997,79

Notes:

1. The actual column is based on RAC's audited results for the period ended 31 October 2009.
2. Based on the assumption that the offers took place on 31 October 2009, for balance sheet purposes.
3. Transaction costs of R1 000 000 applied will be accounted for against capital raised.

4. The balance of the capital raised will be used to invest in long-term investments and will be maximised with due regard to the relevant risks and the constraints imposed by the Investment Mandate as per the entity's return objective stated in paragraph 2 of the prospectus.
5. The accumulated loss is divided between the ordinary and preference shares according to Article 4.5.3.2 of the Articles of the Company. On the occurrence of a redemption event, each preference shareholder shall be entitled to be paid, on the relevant redemption date, in redemption of the preference shares held by it – in preference and in priority to the holders of all other classes of shares in the share capital of the company, as a redemption amount in respect of each preference share held by it, an amount equal to the designated percentage of all payments to be made to shareholders, whether in cash or in specie, divided by the number of preference shares in issue at the relevant time. The designated percentage means, at any relevant time, the percentage which all the preference shares in the aggregate constitute of the entire issued share capital of the Company.

Notes	Actual 31 Oct 2009 R	Adjustments for listing R	<i>Pro forma</i> 31 Oct 2009 R
Ordinary shares	(5 575)	(94 983)	(100 558)
Preference shares	–	(905 017)	(905 017)
Accumulated loss	(5 575)	(1 000 000)	(1 005 575)

Income statement

The listing expenses were added to the accumulated loss and accordingly no income statement has been presented.

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE *PRO FORMA* FINANCIAL INFORMATION

3 May 2010

The Directors

Recm & Calibre Limited
7th Floor
Claremont Central
8 Vineyard Road
Claremont
Cape Town, 7700

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE UNAUDITED *PRO FORMA* FINANCIAL INFORMATION OF RECM & CALIBRE LIMITED ("RAC") ARISING FROM THE ISSUE OF NON-CUMULATIVE, REDEEMABLE PARTICIPATING PREFERENCE SHARES

1. We have performed our limited assurance engagement in respect of the unaudited *pro forma* financial information set out in Annexure 4 of the prospectus to be dated Friday, 14 May 2010 and issued in connection with the proposed issue of non-cumulative, redeemable participating preference shares by RAC. Terms defined in the prospectus have, unless the context requires otherwise, the same meanings in this report as given to them in the prospectus.
2. The unaudited *pro forma* financial information has been prepared in accordance with the requirements of the JSE Limited ("JSE") Listings Requirements, for illustrative purposes only, to provide information about how the transaction might have affected the reported historical financial information presented, had the corporate action been undertaken at the commencement of the period or at the date of the *pro forma* balance sheet being reported on.
3. **Directors' responsibility**

The directors are responsible for the compilation, contents and presentation of the unaudited *pro forma* financial information contained in the prospectus and for the financial information from which it has been prepared. Their responsibility includes determining that:

 - 3.1 the unaudited *pro forma* financial information has been properly compiled on the basis stated;
 - 3.2 the basis is consistent with the accounting policies of RAC; and
 - 3.3 the *pro forma* adjustments are appropriate for the purpose of the unaudited *pro forma* financial information disclosed in terms of the JSE Listings Requirements.
4. **Reporting accountant's responsibility**
 - 4.1 Our responsibility is to express our limited assurance conclusion on the unaudited *pro forma* financial information included in the prospectus to the shareholders of RAC. We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements applicable to Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and the Guide on Pro Forma Financial Information issued by SAICA. This standard requires us to obtain sufficient appropriate evidence on which to base our conclusion.
 - 4.2 We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited *pro forma* financial information, beyond that owed to those to whom those reports were addressed by us at their dates of issue.

5. Sources of information and work performed

- 5.1 Our procedures consisted primarily of comparing the historical financial information of RAC with the source documents, considering the *pro forma* adjustments in light of the accounting policies of RAC, considering the evidence supporting the *pro forma* adjustments recalculating the amounts based on the information obtained and discussing the unaudited adjusted *pro forma* financial information with the directors of RAC.
- 5.2 In arriving at our conclusion, we have relied upon financial information prepared by the directors of RAC from various public, financial and industry sources.
- 5.3 While our work performed has involved an analysis of the historical published audited financial information and other information provided to us, our limited assurance engagement does not constitute an audit or review of any of the underlying financial information conducted in accordance with International Standards on Auditing or International Standards on Review Engagements and, accordingly, we do not express an audit or review opinion.
- 5.4 In a limited assurance engagement, the evidence gathering procedures are more limited than for a reasonable assurance engagement and therefore less assurance is obtained than in a reasonable assurance engagement. We believe our evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

6. Opinion

Based on our examination of the evidence obtained, nothing has come to our attention, which causes us to believe that, in terms of sections 8.17 and 8.30 of the JSE Listings Requirements:

- the unaudited *pro forma* financial information has not been properly compiled on the basis stated;
- such basis is inconsistent with the accounting policies of the issuer; and
- the adjustments are not appropriate for the purposes of the unaudited *pro forma* financial information, as disclosed, pursuant to section 8.30 of the JSE Listings Requirements.

7. Consent

We have consented to the inclusion of this report, which will form part of the prospectus, to be issued on or about Friday, 14 May 2010, in the form and context in which it will appear.

Yours faithfully

GRANT THORNTON

Chartered Accountants (SA)
Registered Auditors

Per: A Vieira

Chartered Accountant (SA)
Registered Auditor
121 Boshoff Street
New Muckleneuk
Pretoria
0181

INVESTMENT MANDATE

The following investment mandate has been formally adopted by RAC and is an extract from Annexure E of the Portfolio Management Agreement.

“INVESTMENT GUIDELINES: FLEXIBLE MANDATE

1. INTRODUCTION

- 1.1 The financial products represent a portion of the investments of Recm and Calibre Limited (the “Client”). This Investment Mandate is for an actively managed, multiple asset class portfolio.
- 1.2 The terms and expressions used throughout the Investment Mandate shall, unless otherwise stated or inconsistent with the context in which they appear, bear the meanings and cognate expressions as the corresponding meanings contained in the Portfolio Management Agreement to which this Investment Mandate is annexed.
- 1.3 The Investment Mandate shall commence on the Commencement Date and shall cease to apply upon the earlier of:
 - the amendment of this Investment Mandate by means of an addendum thereto (which shall thereafter form part of the Investment Mandate);
 - the implementation of a revised Investment Mandate; or
 - termination of the Portfolio Management Agreement.

2. RETURN OBJECTIVES

- 2.1 Long-term investment performance should be maximised with due regard to the relevant risks and the constraints imposed by this Investment Mandate. The relevant risks include, but are not limited to, volatility of returns, risk of capital loss and the risk of negative real returns. Regarding Capital Management (Pty) Limited (“the Financial Service Provider”) is expected to utilise its skills to optimise returns and minimise the specified risks through appropriate asset allocation and asset selection.
- 2.2 The Client recognises that asset management is a long-term process and there will be fluctuations in the short term.
- 2.3 The criteria against which the financial service provider’s performance is to be analysed are set out in Section 5 of this Investment Mandate.

3. INVESTMENT FREEDOM

- 3.1 The financial service provider shall invest the Portfolio’s financial products in line with its “best investment view”, subject to the investment strategy and guidelines laid down in this Investment Mandate (as reviewed by the Client from time to time).
- 3.2 If at any time the financial service provider feels that the Investment Mandate constrains its ability to achieve acceptable results for the Client, the financial service provider must revert to the Client. In the absence of any communication on this issue it is assumed that the financial service provider is satisfied with the terms of the Investment Mandate.
- 3.3 Similarly, should the financial service provider wish to act outside of the Investment Mandate for any reason, the financial service provider must revert to the Client for specific permission to so act. Any such request must be made in writing. If the request is approved by the Client, written permission from the Client will be provided authorising the financial service provider to depart from the terms of the Investment Mandate in the manner and to the extent specified. Such written permission will be deemed to constitute an annexure to this Investment Mandate and accordingly shall form part of this Investment Mandate. No power of attorney granted by the Client to the financial service

provider containing powers of wider ambit shall detract from the provisions of this Investment Mandate. The Client shall not grant permission to the financial service provider to act outside of the Investment Mandate, unless the Client has first obtained the written consent or sanction of a resolution of the holders of the preference shares issued by the Client, as required in terms of the Client's Articles of Association.

4. GENERAL INVESTMENT GUIDELINES

4.1 Financial products must be invested to comply with Applicable Laws and regulations made in terms of these laws.

The following Applicable Law applies at the date of implementation of this Investment Mandate:

- Securities Transfer Tax Act (No. 25 of 2007)
- Financial Institutions (Protection of Funds) Act (No. 28 of 2001)
- Financial Advisory and Intermediary Services Act (No 37 of 2002)
- Securities Services Act (No. 36 of 2004)

4.2 Investment may be made in any combination of domestic or global, listed or unlisted financial products. The financial service provider may not invest in any Investments not permitted in this Investment Mandate, except by express written permission from the Client. Should the financial service provider at any time believe that investment in any asset class, not specified in this Investment Mandate, would significantly enhance their ability to meet the Investment Mandate's objectives, they should approach the Client for such permission.

4.3 If the Client becomes aware of circumstances or matters that may influence the investment objectives and strategy or the financial service provider's management of the Portfolio, the Client shall advise the financial service provider timeously in writing of such circumstances or matters.

4.4 The portfolio will be managed with the objective of meeting the performance targets and risk constraints outlined in this Investment Mandate.

4.5 The Financial Service Provider must correct a breach of the permitted ranges as a result of market movements within 5 (five) Business Days of the breach occurring and advise the Client on the breach in the next written report.

4.6 The Portfolio may be geared by the raising of debt, the short sale of equities or the short sale of bonds. Gearing may also take place through the purchase of derivative instruments which may give rise to situations where exposure exceeds the nominal value of the instrument. In such cases, the exposure should be included in the calculations of debt for the purposes of clause 4.7 below.

4.7 The maximum value of all gearing and debt referred to in clause 4.6 is 100% (one hundred per cent) of the equity of the Portfolio. This would result in a maximum debt to equity ratio of 1:1.

5. BENCHMARK

5.1 Composite Benchmark

The performance of the financial service provider will be evaluated against an ALSI +2,5% (two point five per cent) benchmark.

5.2 Time horizon

The financial service provider should aim to achieve the stated benchmark over a ten year period."

TERMS OF THE PREFERENCE SHARES

The following terms are extracted from article 4 of the Company's Articles of Association –

4. “PREFERENCE SHARES

4.1 Definitions

The following terms shall bear the following meaning in this Article 4 –

4.1.1 “Additional Preference Share Dividend” means, in respect of any Preference Share, a Preference Share Dividend calculated in respect of any Unpaid Preference Share Dividend on such Preference Share as follows –

$$A = B \times C \times D$$

in which formula -

A = the Additional Preference Share Dividend;

B = the Unpaid Preference Share Dividends in respect of such Preference Share as at the applicable date;

C = the Prime Rate;

D = the number of days in the Arrears Period divided by 365 (three hundred and sixty five);

4.1.2 “Arrears Period” means, in respect of any Unpaid Preference Share Dividends, the period from the day following the date on which such Unpaid Preference Share Dividends were due to be paid up to and including the day on which they are actually paid in full;

4.1.3 “Asset Management Agreement” means the portfolio management agreement entered into between the Company and the Asset Manager prior to the Preference Share Issue Date;

4.1.4 “Asset Manager” means Regarding Capital Management (Proprietary) Limited (Registration No. 2004/007733/07);

4.1.5 “Available Income” means, as at any Preference Share Dividend Calculation Date, the aggregate amount, if any, determined by the board of directors of the Company, as being available for distribution by the Company to the Shareholders on the Preference Share Dividend Payment Date immediately succeeding such Preference Share Dividend Calculation Date;

4.1.6 “Designated Percentage” means, at any relevant time, the percentage which all the Preference Shares in the aggregate constitute of the entire issued share capital of the Company;

4.1.7 “Dividend Period” means each period commencing on (and including) the previous Preference Share Dividend Calculation Date and ending on (but excluding) the subsequent Preference Share Dividend Calculation Date, provided that the first Dividend Period shall be the period from (and including) the Preference Share Issue Date to (and excluding) the first Preference Share Dividend Calculation Date;

4.1.8 “Ordinary Shareholders” means, in respect of the Ordinary Shares, the holders of the Ordinary Shares in the Company, from time to time;

4.1.9 “Ordinary Shares” means, at any relevant time, the ordinary shares in the Company with a par value of R0,01 (one cent) each;

4.1.10 “Preference Shares” means non-cumulative, redeemable, participating preference shares in the share capital of the Company with a par value of R0,01 (one cent) each, the rights and privileges of which are set out in this Article 4;

- 4.1.11** “**Preference Share Dividend**” means a preferential cash dividend which is payable in accordance with Article 4.2 or otherwise in accordance with this Article 4;
- 4.1.12** “**Preference Share Dividend Calculation Date**” means the last day of the financial year of the Company;
- 4.1.13** “**Preference Share Dividend Payment Date**” means, if the board of directors of the Company has determined that there is Available Income for distribution to the Shareholders in respect of any financial year of the Company, the date which is 120 (one hundred and twenty) days after the Preference Share Dividend Calculation Date;
- 4.1.14** “**Preference Shareholders**” means, in respect of the Preference Shares, the holders of such Preference Shares from time to time and “**Preference Shareholder**” means, as the context requires, any one of them;
- 4.1.15** “**Preference Share Issue Date**” means, the date on which the Company allots and issues the Preference Shares;
- 4.1.16** “**Prime Rate**” means the publicly quoted basic rate of interest (percent, per annum), and calculated on a 365-day year factor (irrespective of whether or not the year is a leap year) from time to time quoted by The Standard Bank of South Africa Limited as being its prime overdraft rate as certified by any manager of The Standard Bank of South Africa Limited whose appointment, authority and/or designation need not be proved, which certificate shall be prima facie proof of the contents thereof;
- 4.1.17** “**Redemption Amount**” means the redemption amount payable by the Company in respect of the redemption of the Preference Shares, as determined in terms of Article 4.5.3.2;
- 4.1.18** “**Redemption Date**” has the meaning specified in Article 4.5.2;
- 4.1.19** “**Redemption Event**” has the meaning specified in Article 4.5.1;
- 4.1.20** “**Scheduled Preference Share Dividend**” means a dividend accrued in respect of each Preference Share for each Dividend Period calculated in accordance with the provisions of Article 4.2; and
- 4.1.21** “**Unpaid Preference Share Dividends**” means, in respect of any Preference Share, all the Preference Share Dividends which have been declared in respect of such Preference Share but which were not paid on the applicable Preference Share Dividend Payment Date.

4.2 Scheduled Preference Share Dividend Payments

- 4.2.1** Each Preference Shareholder registered as such on each Preference Share Dividend Payment Date shall have the right to receive and be paid on each Preference Share Dividend Payment Date, in priority to the holders of any other class of shares in the capital of the Company and in respect of each Preference Share held by it, a Scheduled Preference Share Dividend out of the Available Income, if any, for the Dividend Period immediately preceding such Preference Share Dividend Payment Date determined as follows –

$$A = B \times C \div D$$

in which formula –

A = the Scheduled Preference Share Dividend per Preference Share;

B = the Available Income;

C = the Designated Percentage;

D = the number of Preference Shares,

plus any Additional Preference Share Dividends, the amount of which shall be calculated in accordance with the formula set out in Article 4.1.1.

4.2.2 Each Preference Share Dividend and Additional Preference Share Dividend shall, in respect of each Preference Share –

4.2.2.1 subject to the Companies Act and to the extent the Company has cash available to pay such dividend, be declared and be payable on each Preference Share Dividend Payment Date; and

4.2.2.2 be payable in cash.

4.3 Preference Share Dividend Payment Dates

The Preference Share Dividends will, if declared, be payable on the Preference Share Dividend Payment Date and failing payment by the relevant Preference Share Dividend Payment Date, be considered to be in arrears.

4.4 No Accumulation

If a Preference Share Dividend is not declared by the Company in respect of the Dividend Period to which such Preference Share Dividend relates, the Preference Share Dividend will not accumulate and will, accordingly, never become payable by the Company whether in preference to other payments to any holder of any other class of shares in the Company or otherwise.

4.5 Redemption of Preference Shares

4.5.1 Each of the following events set out in this Article 4.5 constitutes a Redemption Event, namely –

4.5.1.1 a final order of a competent court is made for the winding-up of the Company (the “Liquidation Event”);

4.5.1.2 a resolution by the board of directors of the Company to redeem the Preference Shares before the Liquidation Event (which the board of directors of the Company shall be entitled to so resolve at any time after the Preference Share Issue Date);

4.5.1.3 a resolution is passed by the Ordinary Shareholders or all the Shareholders, for the voluntary winding-up of the Company; and/or

4.5.1.4 a resolution is passed by the directors of the Company, for the Company to cease the conduct of its business.

4.5.2 Upon the occurrence of a Redemption Event, the Company shall be obliged to redeem all of the Preference Shares that are then in issue by paying –

4.5.2.1 all Unpaid Preference Share Dividends and Additional Preference Share Dividends in respect of the Preference Shares; and

4.5.2.2 the Redemption Amount in respect of all of the Preference Shares,
to the Preference Shareholders –

4.5.2.3 if the relevant Redemption Event is a Liquidation Event, on the date on which the Liquidation Event occurs; and

4.5.2.4 in respect of every other Redemption Event, on the date which is 30 (thirty) Business Days from the date on which such other Redemption Event occurs, (each such date being a “Redemption Date”).

4.5.3 On the occurrence of a Redemption Event, each Preference Shareholder shall be entitled to be paid, on the relevant Redemption Date, in redemption of the Preference Shares held by it –

4.5.3.1 in preference and in priority to the holders of all other classes of shares in the share capital of the Company, all Unpaid Preference Share Dividends and Additional Preference Share Dividends in respect of its Preference Shares; and

4.5.3.2 in preference and in priority to the holders of all other classes of shares in the share capital of the Company, as a Redemption Amount in respect of each Preference Share held by it, an amount equal to the Designated Percentage of all payments to be made to Shareholders, whether in cash or in specie, divided by the number of Preference Shares in issue at the relevant time.

4.5.4 In the event of a winding-up of the Company, the Preference Shareholders shall be paid out of the assets of the Company, and in priority to the holders of all other classes of shares in the capital of the Company, all Unpaid Preference Share Dividends and Additional Preference Share Dividends as well as the full Redemption Amount calculated as if the Preference Shares were all being redeemed on the day immediately preceding the date of winding-up.

4.5.5 Interest shall accrue at the Prime Rate on any Redemption Amount, from the applicable Redemption Date to the date of payment of the Redemption Amount.

4.5.6 The Company shall not be liable to a Preference Shareholder for interest on any unclaimed Redemption Amounts.

4.6 Limitation on Participation

Save as set out above, the Preference Shareholders will not be entitled to any participation in the profits or assets of the Company or, on a winding up, in any of the surplus assets of the Company.

4.7 Unclaimed Preference Share Dividends

Preference Share Dividends unclaimed for a period of not less than 12 (twelve) years from the date on which such Preference Share Dividends become payable, may be declared forfeit by the board of directors of the Company for the benefit of the Company.

4.8 Creation or Issue of Further Preference Shares

No further securities of any class ranking in priority to, or pari passu with, the Preference Shares, shall be created or issued without the consent in writing of 75% (seventy five per cent) of the Preference Shareholders, or the sanction of a resolution of such Preference Shareholders, passed at a separate general meeting of such holders, at which Preference Shareholders holding in aggregate not less than 1/4 (one fourth) of the total votes of all the Preference Shareholders holding securities in that class entitled to vote at that meeting, are present in person or by proxy, and the resolution has been passed by not less than 3/4 (three fourths) of the total votes to which the members of that class, present in person or by proxy, are entitled.

4.9 Amendments to the Mandate of the Asset Manager under the Asset Management Agreement

No increase of the debt to equity gearing ratio, as set out in Annexure E to the Asset Management Agreement, nor any amendment to the method for the calculation of any fee payable to the Asset Manager (or any succeeding asset manager) in terms of the Asset Management Agreement, in a manner which is favourable to such manager, shall be effected, nor shall such manager be permitted to act outside the investment mandate, as set out in Annexure E to the Asset Management Agreement, without the consent in writing of the holders of 75% (seventy five per cent) of the existing Preference Shares, or the sanction of a resolution of the Preference Shareholders, passed at a separate general meeting of such holders, at which Preference Shareholders holding in aggregate not less than 1/4 (one fourth) of the total votes of all the Preference Shareholders holding Preference Shares entitled to vote at that meeting, are present in person or by proxy, and the resolution has been passed by not less than 3/4 (three fourths) of the total votes to which the Preference Shareholders, present in person or by proxy, are entitled.

4.10 Notice of Meetings and Voting at Meetings of the Company

The Preference Shareholders recorded in the share register of the Company shall not be entitled to receive notice of, be present or to vote at any meeting of the Company, by virtue of or in respect of the Preference Shares, unless any one or more of the following circumstances shall immediately precede the date of the meeting –

4.10.1 there are Unpaid Preference Share Dividends, which Unpaid Preference Share Dividends remain unpaid after a period of 6 (six) months from the due date thereof; and/or

4.10.2 a resolution of the Company is proposed (in which event the Preference Shareholders shall be entitled to vote only on such resolution) which directly affects the rights attached to the Preference Shares or the interests of the Preference Shareholders, which shall include, without limitation any resolution for the winding-up of the Company (including a special resolution as contemplated in Article 33) or for the deduction of its share capital or share premium account, the creation by the Company of any further shares in any class and/or, the amendment of the scope of the mandate of the Asset Manager under the Asset Management Agreement as contemplated in Article 4.9, in which event the Preference Shareholders shall be entitled to vote on a show of hands (if the holder is present in person or by proxy) or on a poll (whether present in person or by proxy) at a meeting of the Company.”

As regards the variation of rights of shares, Article 3.4 provides as follows –

3.4 “All or any of the rights, privileges or conditions for the time being attached to any class of shares for the time being forming part of the share capital of the Company may (unless otherwise provided by the terms of issue of the shares of that class) whether or not the Company is being wound up, be modified, altered, varied, added to or abrogated in any manner with the consent in writing of the holders of not less than $\frac{3}{4}$ (three-fourths) of the issued shares of that class, or with the sanction of a resolution passed in the same manner as a special resolution of the Company at a separate general meeting of the holders of the shares of that class ...”

EXTRACTS FROM THE ARTICLES OF ASSOCIATION OF RAC

The provisions of the Articles of Association of the Company as regards directors, their appointment, qualification, remuneration and borrowing powers are extracted below.

13. "BORROWING POWERS

- 13.1** The directors may exercise all the powers of the Company to borrow money and to mortgage or encumber its undertaking and property or any part thereof and to issue debentures or debenture stock (whether secured or unsecured) and other securities (with such special privileges, if any, as to allotment of shares or stock, attending and voting at general meetings, appointment of directors or otherwise as may be sanctioned by a general meeting) whether outright or as security for any debt, liability or obligation of the Company or of any third party.
- 13.2** For the purpose of the provisions of Article 13.1 the borrowing powers of the Company shall be unlimited.

14. DIRECTORS

- 14.1** Until otherwise determined by a meeting of Members and subject to the JSE Listings Requirements, the number of directors shall not be less than 4 (four).
- 14.2** The directors shall have power at any time and from time to time to appoint any person as a director, either to fill a casual vacancy or as an addition to the board, but so that the total number of the directors shall not at any time exceed the maximum number fixed. Subject to the provisions of Article 17.2, any person appointed to fill a casual vacancy or as an addition to the board shall retain office only until the next following annual general meeting of the Company and shall then retire and be eligible for re-election.
- 14.3** The appointment of a director shall take effect upon compliance with the requirements of the Statutes.
- 14.4** Any nomination for the appointment of a director must reach the company within 28 (twenty eight) days before the date of an annual general meeting.
- 14.5** The shareholding qualification for directors and alternate directors may be fixed, and from time to time varied, by the Company at any meeting of Members and unless and until so fixed no qualification shall be required.
- 14.6** The remuneration of the executive directors shall from time to time be determined in subcommittee by an appointed quorum of non-executive directors, when appropriate assisted by independent advisers. The remuneration of non-executive directors shall be approved by the Company in general meeting.
- 14.7** The directors shall be paid all their travelling and other expenses properly and necessarily incurred by them in and about the business of the Company, and in attending meetings of the directors or of committees thereof, and if any director shall be required to perform extra services or to go or to reside abroad or otherwise shall be specially occupied about the Company's business, he shall be entitled to receive a remuneration to be fixed by a disinterested quorum of the directors which may be either in addition to or in substitution for the remuneration provided for in Article 14.6.
- 14.8** The continuing directors may act, notwithstanding any casual vacancy in their body, so long as there remain in office not less than the prescribed minimum number of directors duly qualified to act; but if the number falls below the prescribed minimum, the remaining directors shall not act except for the purpose of filling such vacancy or calling general meetings of Shareholders.

- 14.9** A director shall cease to hold office as such –
- 14.9.1** if he becomes insolvent, or assigns his estate for the benefit of his creditors, or suspends payment or files a petition for the liquidation of his affairs, or compounds generally with his creditors; or
 - 14.9.2** if he becomes of unsound mind; or
 - 14.9.3** if (unless he is not required to hold a share qualification) he has not duly qualified himself within 2 (two) months of his appointment or if he ceases to hold the required number of shares to qualify him for office; or
 - 14.9.4** if he is absent from meetings of the directors for 6 (six) consecutive months without leave of the directors and is not represented at any such meetings during such 6 (six) consecutive months by an alternate director and the directors resolve that the office be vacated, provided that the directors shall have power to grant any director leave of absence for any or an indefinite period; or
 - 14.9.5** if he is removed under Article 14.17; or
 - 14.9.6** 1 (one) month or, with the permission of the directors earlier, after he has given notice in writing of his intention to resign; or
 - 14.9.7** if he shall pursuant to the provisions of the Statutes be disqualified or cease to hold office or be prohibited from acting as director.
- 14.10** The Company and the directors shall comply with the provisions of the Statutes with regard to the disclosure of the interests of directors in contracts or proposed contracts; subject thereto, no director or intending director shall be disqualified by his office from contracting with the Company, either with regard to such office or as vendor, purchaser or otherwise, nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company, in which any director shall be in any way interested, be or be liable to be avoided, nor shall any directors so contracting or being so interested be liable to account to the company for any profit realised by any such contract or arrangement by reason of such director holding that office or of the fiduciary relationship thereby established.
- 14.11** No director shall, as a director, vote in respect of any contract or arrangement in which he is so interested as aforesaid, and if he does so vote, his vote shall not be counted, nor shall he be counted for the purpose of any resolution regarding the same in the quorum present at the meeting, but these prohibitions shall not apply to –
- 14.11.1** any contract or dealing with a company or partnership or corporation of which the directors of the Company or any of them may be directors, members, managers, officials or employees or otherwise interested;
 - 14.11.2** any contract by or on behalf of the Company to give to the directors or any of them any security by way of indemnity or in respect of advances made by them or any of them;
 - 14.11.3** any contract to subscribe for or to underwrite or sub-underwrite any shares in or debentures or obligations of the Company or any company in which the Company may in any way be interested;
 - 14.11.4** any resolution to allot shares in or debentures or obligations of the Company to any director of the Company or to any matter arising out of or consequent upon any such resolution; and
 - 14.11.5** any contract for the payment of commission in respect of the subscription for such shares, debentures or obligations.
- The above prohibitions may at any time or times be suspended or relaxed to any extent by the Company in general meeting.
- 14.12** A director, notwithstanding his interest, may be counted in the quorum present at any meeting whereat any other director is appointed to hold any office or place of profit under the Company or whereat the terms of any such appointment are arranged, and he may vote on any such appointment or arrangement notwithstanding that at such meeting his own appointment or an arrangement in connection therewith is a matter before the board of directors.

- 14.13** Any general notice given to the directors of the Company by a director to the effect that he is a member of a specified company or firm shall comply with the provisions of the Statutes.
- 14.14** For the purpose of this Article, an alternate director shall not be deemed to be interested in any contract or arrangement merely because the director for whom he is an alternate is so interested.
- 14.15** Nothing in this Article contained shall be construed so as to prevent any director as a Member from taking part in and voting upon all questions submitted to a general meeting whether or not such director shall be personally interested or concerned in such questions.
- 14.16** A director may be employed by or hold any office of profit under the Company or under any subsidiary company, in conjunction with the office of director of the Company, other than that of auditor of the Company or of any subsidiary company, and upon such terms as to appointment, remuneration and otherwise as the directors may determine, and any remuneration so paid may be in addition to the remuneration payable in terms of Article 14.6 or 14.7: Provided that the appointment of a director in any other capacity in the Company or as a director or employee of any subsidiary company and his remuneration, must be determined by a disinterested quorum of directors.
- 14.17** Subject to the provisions of the Statutes, a majority of directors may remove a director at a directors meeting before the expiration of his period of office and by an ordinary resolution elect another person in his stead. The person so elected shall hold office until the next following annual general meeting of the Company and shall then retire and be eligible for re-election.

16. ROTATION OF DIRECTORS

- 16.1** Subject to Article 17, at the first annual general meeting, all of the directors shall retire, and at the annual general meeting held in each year thereafter $\frac{1}{3}$ (one-third) of the directors, or if their number is not a multiple of 3 (three), then the number nearest to, but not less than $\frac{1}{3}$ (one-third) shall retire from office, provided that in determining the number of directors to retire no account shall be taken of any director who by reason of the provisions of Article 17.2 is not subject to retirement. The directors so to retire at each annual general meeting shall be firstly those retiring in terms of Article 14.2 and secondly those referred to in terms of Article 14.17 and lastly those who have been longest in office since their last election or appointment. As between directors of equal seniority, the directors to retire shall, in the absence of agreement, be selected from among them by lot: Provided that notwithstanding anything herein contained, if, at the date of any annual general meeting any director will have held office for a period of 3 (three) years since his last election or appointment he shall retire at such meeting, either as one of the directors to retire in pursuance of the foregoing or additionally thereto. A retiring director shall act as a director throughout the meeting at which he retires. The length of time a director has been in office shall, save in respect of directors appointed or elected in terms of the provisions of Articles 14.2 and 14.17, be computed from the date of his last election or appointment.
- 16.2** Retiring directors shall be eligible for re-election. No person other than a director retiring at the meeting shall, unless recommended by the directors for election, be eligible for election to the office of director at any general meeting unless, not less than 7 (seven) days nor more than 14 (fourteen) days before the day appointed for the meeting, there shall have been given to the company secretary notice in writing by some Member duly qualified to be present and vote at the meeting for which such notice is given of the intention of such Member to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.
- 16.3** Subject to Article 16.2 the Company in general meeting may fill the vacated offices by electing a like number of persons to be directors and may fill any other vacancies. In electing directors the provisions of the Statutes shall be complied with.
- 16.4** If at any general meeting at which an election of directors ought to take place, the place of any retiring director is not filled, he shall if willing continue in office until the dissolution of the annual general meeting in the next year, and so on from year to year until his place is filled, unless it shall be determined at such meeting not to fill such vacancy.
- 16.5** For the purposes of this Article 16, "director" shall mean a non-executive director.

17. EXECUTIVE DIRECTORS

- 17.1** The directors may from time to time appoint a managing and other executive directors (with or without specific designation or portfolio) or any director to any other executive office in the Company (subject to the JSE Listing Requirements), as the directors deem fit, and may, subject to any contract between him or them and the Company, from time to time terminate his or their appointment and appoint another or others in his or their place or places provided that less than half of the directors may be appointed to any such executive position.
- 17.2** Any executive director appointed in terms of Article 17.1 –
- 17.2.1** shall not (subject to the terms of the contract under which he is appointed) whilst he continues to hold that position or office, be subject to retirement in terms of Article 14.2 or 16; and
- 17.2.2** shall not, during the currency of such appointment, be taken into account in determining the rotation or retirement of directors; and
- 17.2.3** shall otherwise be subject to the same provisions as to removal as the other directors of the Company, without prejudice to any claims for damages which may accrue to him as a result of such termination.
- 17.3** A director appointed in terms of the provisions of Article 17.1 to the office of managing director of the Company, or to any other executive office in the Company, may be paid in addition to the remuneration payable in terms of Article 14.6 or 14.7, such remuneration (not exceeding a reasonable maximum in each year) in respect of such office as may be determined by a disinterested quorum of the directors.
- 17.4** The directors may from time to time entrust and confer upon a managing director or other executive officer for the time being such of the powers and authorities vested in them as they think fit, and may confer such powers and authorities for such time and to be exercised for such objects and purposes and upon such terms and conditions and with such restrictions as they may think expedient and they may confer such powers and authorities either collaterally with, or to the exclusion of, and in substitution for, all or any of the powers and authorities of the directors in that behalf and may from time to time revoke, withdraw, alter or vary all or any of such powers and authorities. A managing director appointed pursuant to the provisions hereof shall not be regarded as an agent or delegate of the directors and, after powers have been conferred upon him by the directors in terms hereof, he shall be deemed to derive such powers directly from this Article.

18. PROCEEDINGS OF DIRECTORS

- 18.1** The directors may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit, and may determine the quorum necessary for the transaction of business. Until otherwise determined 5 (five) directors shall form a quorum. A director may at any time and the company secretary upon the request of a director shall convene a meeting of the directors. The directors may determine what period of notice shall be given of meetings of directors and may determine the medium of giving such notice which may include telephone, telegram, telex, e-mail (Electronic mail) or telefax. A director who is not within the Republic shall not be entitled to notice of any such meeting, but notice shall be given to all duly appointed alternate directors who may at the time be within the Republic.
- 18.2** Questions arising at any meeting shall be decided by a majority of votes and in case of an equality of votes, the chairperson shall not have a second or casting vote.
- 18.3** The directors may elect a chairperson of their meetings and one or more deputy chairpersons to preside in the absence of the chairperson, and may determine a period, not exceeding 1 (one) year, for which they are to hold office, but if no such chairperson or deputy chairperson is elected or if at any meeting neither the chairperson nor a deputy chairperson is present at the time appointed for holding the same, the directors shall choose one of their number to be chairperson of such meeting.
- 18.4** A meeting of the directors at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions by or under these Articles or the regulations of the Company for the time being vested in or exercisable by the directors generally.

18.5 Subject to the Statutes –

18.5.1 a resolution in writing, signed by all the directors, including through the medium of telefax or other form of electronic transmission where the directors' consent thereto can be verified, shall be as valid and effectual as if it had been passed at a meeting of the directors duly called and constituted; and

18.5.2 in the case of matters requiring urgent resolution or, if for any reason it is impracticable to meet or pass a resolution as contemplated in Article 18.1, proceedings may be conducted by utilising video conference or telephone conference facilities, provided that the required quorum is met. A resolution agreed to by a majority of the directors participating during the course of such proceedings shall be as valid and effectual as if it had been passed at a meeting of the directors duly called and constituted. The company secretary shall as soon as is reasonably possible after such meeting by video or telephone conference has been held, be notified thereof by the relevant parties to the meeting, and the company secretary shall prepare a written minute thereof.

18.6 Any resolution referred to in Article 18.5.1 may consist of several documents, each signed by one or more directors or their alternates in terms of these Articles.

18.7 Any resolution referred to in Article 18.5.1 shall be deemed (unless the contrary is stated therein) to have been passed on the date upon which it was signed by the last director or alternate required to sign it and where it states a date as being the date of its signature by any director or alternate that document shall be prima facie evidence that it was signed by that director or alternate on that date.

19. COMMITTEES

19.1 The directors may delegate or allocate any of their powers to an executive or other committee consisting of such member or members of their body or any other person or persons as they think fit. Any committee so formed shall in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed on it by the directors.

19.2 Any director who serves on an executive or other committee, or who devotes special attention to the business of the Company, or who otherwise performs services which, in the opinion of the directors, are outside the scope of the ordinary duties of a director, may be paid such extra remuneration (in addition to the remuneration he may be entitled to as a director) by way of salary and/or by way of an amount equal to a percentage of the dividends declared, provided that such amount shall be limited to a reasonable maximum to be fixed by a disinterested quorum of the directors.

19.3 The meetings and proceedings of any such committee consisting of 2 (two) or more members shall be governed by the provisions herein contained for regulating the meetings and proceedings of the directors insofar as the same are applicable thereto and are not superseded by any regulations made by the directors under Article 18.

19.4 All acts done at any meeting of the directors or of any executive or other committee of the directors, or by any person acting as a director shall, notwithstanding that it shall afterwards be discovered that there was some defect in the appointment of the directors or persons acting as aforesaid, or that they or any of them were disqualified or had vacated office or were not qualified to vote be as valid as if every such person had been duly appointed and was qualified to be and to act and vote as a director."

OTHER DIRECTORSHIPS HELD BY RAC's DIRECTORS

The table below sets out the names of all companies of which the directors of RAC are or either have been directors during the past five years.

Company	Registration number	Type	Status
MR THEUNIS DE BRUYN			
Brolink (Pty) Limited	2004/010734/07	Director	Active
Beagle Investments (Pty) Ltd	2006/024605/07	Director	Active
Blue Nightingale 218 (Pty) Limited	2004/017753/07	Director	Active
Blue Waves Properties 85 (Pty) Limited	2006/024604/07	Director	Active
Born Free Investments 68 (Pty) Limited	2004/003009/07	Director	Active
Calibre Capital (Pty) Limited	2004/001095/06	Director	Active
Canyon Springs Investments 90 (Pty) Limited	2008/012920/07	Director	Active
Calibre Developments (Pty) Limited	2006/024692/07	Director	Active
Engski Manufacturing (Pty) Limited	2002/026144/07	Director	Active
iVolve Express (Pty) Limited	2004/030137/07	Director	Active
iVolve (Pty) Limited (previously iVolve Procurement & Rental partner)	2003/004690/07	Director	Active
Mogwele Trading 334 (Pty) Limited	2005/035132/07	Director	Active
Reef Switchboard Manufactures (Pty) Limited	2006/015603/07	Director	Active
Regarding Capital Management (Pty) Limited	2004/007733/07	Director	Active
Recm Holdings (Pty) Limited	2001/028924/07	Director	Active
Recm Collective Investments (Pty) Limited	2004/027540/07	Director	Active
Sunset Point Properties 34 CC	2004/017884/23	Member	Deregistered
TATJ Investments (Pty) Limited	1997/017442/07	Director	Active
Volentia (Pty) Limited	2005/041743/07	Director	Active
Trans hex Limited	1963/007579/06	Director	Active
ELB Group Limited	1930/002553/06	Director	Active
SMD (Pty) Limited	1999/025565/07	Director	Active
PIETER GERHARDT VILJOEN			
Calibre Capital (Pty) Limited	2004/001095/06	Director	Active
Topo-Go-Maps (Pty) Limited	2001/060064/23	Member	Resigned 09/12/2005
Sunset Point Properties 36 CC	2004/017884/23	Member	Deregistered
Investment Management Association of South Africa (Pty) Limited	2001/000216/08	Director	Active
Recm Holdings (Pty) Limited	2001/028924/07	Director	Active
Regarding Capital Management (Pty) Limited	2004/007733/07	Director	Active
EduCell Services (Pty) Limited	2005/001704/07	Director	Resigned 03/05/2006

Company	Registration number	Type	Status
WERNER STALS			
Calibre Capital (Pty) Limited	2004/001095/06	Director	Active
Sunset Point Properties 26 CC	2004/017884/23	Member	Active
Pegola Nominees (Pty) Limited	1967/007677/07	Director	Active
Klakker Beleggings (Pty) Limited	1983/010757/07	Director	Active
Accurate Trading 11 (Pty) Limited	1997/011595/07	Director	Active
Loki Properties (Pty) Limited	1999/017491/07	Director	Active
Bradley and Kent (Pty) Limited	2001/014538/07	Director	Active
Recm Holdings (Pty) Limited	2001/028924/07	Director	Active
C K S Equities (Pty) Limited	2002/023363/07	Director	Active
Kadd Capital (Pty) Limited	2002/029094/07	Director	Resigned 11/01/2006
Regarding Capital Management (Pty) Limited	2004/007733/07	Director	Active
Zelpy 2939 (Pty) Limited	2005/001409/07	Director	Active
Brolink (Pty) Limited	2004/010734/07	Director	Active
Kagiso Hedge Funds (Pty) Limited	2003/014213/07	Director	Resigned 21/07/2005
iVolve (Pty) Limited	2003/004690/07	Director	Active
Reef Switchboard Manufactures (Pty) Limited	2006/015603/07	Director	Active
SMD (Pty) Limited	1999/025565/07	Director	Active
Calibre Investments (Pty) Limited (Australia)	ABN18136960775	Director	Active
Calibre Equities (Pty) Limited (Australia)	ABN97132491000	Director	Active
Tricom Holdings (Pty) Limited (Australia)	ABN79098273824	Director	Resigned 08/04/2008
Regarding Capital Management (Pty) Limited (Guernsey)	44274	Director	Active
Regarding Capital Management (Pty) Limited (Australia)	ACN134227919	Director	Active
GERRIT PRETORIUS			
Afcab Holdings Limited	1991/004094/07	Director	Active
African Cables Limited	1935/007491/06	Director	Active
ATC (Pty) Limited	1955/003773/07	Director	Resigned 24/08/2007
CBI-Electric Aberdare Atc Telecom Cables (Pty) Limited	1967/005978/07	Director	Active
Gaigher Street Property (Pty) Limited	2004/018388/07	Director	Active
Heinemann Holdings Limited	1949/032889/06	Director	Resigned 05/03/2009
Nashua Connect (Pty) Limited	1999/024095/07	Director	Active
Nashua Mobile (Pty) Limited	1986/004789/07	Director	Active
Pansolutions Holdings Limited	1962/004220/06	Director	Active
Quince Capital Holdings Limited	2006/037027/06	Director	Active
Reunert Limited	1913/004355/06	Director	Active
Reunert Management Services Limited	1980/007949/06	Director	Active
Reutech Engineering Services (Pty) Limited	1951/002706/07	Director	Active
Reutech Limited	1963/005035/06	Director	Active
Reutech Radar Systems (Pty) Limited	1999/005307/07	Director	Active
Saco Systems (Pty) Limited	1922/007189/07	Director	Active
Siemens Telecommunications (Pty) Limited	1993/005743/07	Director	Resigned 06/02/2008
Sterkspruit Holdings (Pty) Limited	1992/005627/07	Director	Active

CORPORATE GOVERNANCE – STATEMENT OF CORPORATE PRACTICE AND CONDUCT

RAC is and will be committed to the highest standards of corporate governance.

The board of directors endorses 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.

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 ongoing 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.

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 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.

It should be noted that RAC has previously been a private company and has therefore not been obliged to comply with the King Code.



Recm & 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")



PRIVATE PLACEMENT APPLICATION FORM (GREEN)

In respect of the private placement of up to a maximum of 40 000 000 redeemable, participating, non-cumulative RAC preference shares with a par value of 1 cent each at an issue price of R10 per preference share, in accordance with the terms of the prospectus registered by the Registrar of Companies on Tuesday, 11 May 2010 and issued on Friday, 14 May 2010 ("the prospectus").

1. APPLICATION FOR PREFERENCE SHARES

Applicants who wish to acquire dematerialised shares should approach their broker or CSDP. Applicants who wish to receive share certificates should complete this application form and deliver it by hand, post or fax to:

if delivered by hand or courier:

Link Market Services South Africa (Pty) Limited
16th Floor
11 Diagonal Street
Johannesburg, 2001

if posted:

Link Market Services South Africa (Pty) Limited
(PO Box 4844, Johannesburg, 2000)

if faxed:

Link Market Services South Africa (Pty) Limited
Fax: 0866 743 330

so as to be received by no later than 12:00 on Thursday, 3 June 2010.

1.1 Application for dematerialised preference shares

Applicants who elect to receive their allocated preference shares in dematerialised form may do so, in which case this private placement application form and the section on their CSDP or broker must be completed and returned to their CSDP or broker.

1.2 Application for certificated shares

Applicants who elect to receive their allocated preference shares in certificated form may do so, in which case this application form must be completed and returned to the transfer secretaries.

2. PAYMENT IN RESPECT OF PREFERENCE SHARES APPLIED FOR

Applicants in respect of dematerialised shares must place funds with their CSDP or make other necessary arrangements to enable their CSDPs to make payment of the aggregate issue price for the allocated preference shares on the settlement date, in accordance with each applicant's agreement with its CSDP.

Applicants in respect of certificated shares may elect to make payment by way of electronic transfer or by way of bank guaranteed cheque or banker's draft.

2.1 Payment by electronic transfer

Applicants in respect of certificated shares, who wish to pay for the preference shares applied for by way of electronic transfer may do so, in which case proof of such payment by electronic transfer must be delivered by hand, posted or faxed or emailed to the transfer secretaries at:

if delivered by hand or courier:

Link Market Services South Africa
(Pty) Limited
16th Floor
11 Diagonal Street
Johannesburg, 2001

if posted:

Link Market Services South Africa
(Pty) Limited
(PO Box 4844, Johannesburg, 2000)

if faxed or emailed:

Link Market Services South Africa
(Pty) Limited
Fax: 0866 743 330 or e-mailed to
specialprojects@linkmarketservices.co.za

so as to be received by no later than 12:00 on Thursday, 3 June 2010.

Payment by electronic transfer must be made into the following bank account:

Bank:	Standard Bank
Branch:	Thibault Square
Branch code:	02 09 09
Account name:	Recm & Calibre Limited
Account number:	07 313 909 2
Type of account:	Business Current Account

RAC accepts no responsibility and will not be liable for the correctness of any allocation of preference shares pursuant to payment being made, or alleged to have been made, by way of electronic transfer due to proof of such payment not being received, or purported proof of such payment being insufficient or defective, or RAC, for any reason, not being able to reconcile a payment or purported payment with a particular application for preference shares.

2.2 Payment by bank guaranteed cheque or banker's draft

Applicants who wish to pay for the preference shares applied for by way of bank guaranteed cheque or banker's draft may do so, in which case payment in the form of a bank guaranteed cheque or banker's draft (crossed and marked "not transferable" and drawn in favour of "RAC Private Placement") must be delivered in an envelope marked "RAC Private Placement" to the transfer secretaries at:

Link Market Services South Africa (Pty) Limited
16th Floor
11 Diagonal Street
Johannesburg, 2001

so as to be received by no later than 12:00 on Thursday, 3 June 2010.

LATE APPLICATIONS WILL NOT BE CONSIDERED FOR ACCEPTANCE.

Reservation of rights

The directors of RAC reserve the right to accept or reject, either in whole or in part, any applications should the terms contained in this prospectus of which this private placement application form forms part and the instructions herein not be complied with.

Applications must be for a minimum of 100 preference shares and in multiples of 100 preference shares thereafter.

To the directors

Recm & Calibre Limited

1. I/We, the undersigned, confirm that I/we have full legal capacity to contract and, having read the prospectus, hereby irrevocably apply for and request you to accept my/our application for the undermentioned number of preference shares in RAC at an issue price of R10 per share or any greater or lesser number that may, in your absolute discretion, be allotted to me/us, subject to the Articles of Association of RAC.
2. I/We wish to receive my/our allocated preference shares in dematerialised form and will hand this application form to the transfer secretaries, and will provide appropriate instructions to my/our appointed CSDP or broker, as the case may be, with regard to the application herein and the payment thereof, as stipulated in the agreement governing my/our relationship with my/our CSDP or broker, as the case may be.

Or
 I/We wish to receive my/our allocated preference shares in certificated form and commit to accept the physical share certificate.
(Tick whichever is applicable)
3. I/We understand that the subscription for preference shares in terms of the prospectus is conditional on the spread of public shareholders, as required in terms of the Listings Requirements of the JSE being achieved and to a minimum subscription amount of R200 000 000 being raised through the offer of the preference shares pursuant to the private placement and public offer made in terms of the prospectus.

Dated _____

2010

Signature _____

Assisted by (where applicable) _____

This section must be completed using BLOCK LETTERS ONLY IN BLACK INK

Surname of individual or Name of entity	Mr Mrs Miss Other title
First names (in full)	
Postal address (Preferably PO Box address) <i>Share certificate, if applicable, will be sent to this address</i>	
Telephone number	()
E-mail address	
Total number of preference shares applied for at R10 per share	

Note:

1. Minimum number of 100 preference shares and thereafter in multiples of 100 preference shares. (Enter figures only – not words)

Bank account details of the applicant in the event of oversubscription	
Account name:	Bank:
Account number:	Branch:
Type of account:	Branch code:

This section must be completed and stamped by your CSDP or broker if preference shares are required in dematerialised form.

Required information must be BLOCK LETTERS ONLY IN BLACK INK.

CSDP/Broker name	
CSDP/Broker contact person	
CSDP/Broker contact telephone number	()
CSDP/Broker SCA number	
Scrip account number of applicant at CSDP/Broker	
Stamp of CSDP or broker	

This application will constitute a legal contract between RAC and the applicant. Application forms for certificated or dematerialised preference shares will not be accepted unless the above information has been furnished.

Instructions:

1. In case of applications for preference shares in certificated form, proof of payment should be submitted with this application form to the transfer secretaries. Applicants must ensure that payment is made into the bank account detailed in paragraph 2.1 of this application form, or that payment by bank guaranteed cheque or banker's draft in the form prescribed in paragraph 2.2 of this application form, is made, so as to be received by no later than 12:00 on Thursday, 3 June 2010.
2. Applications must be made on this application form. Photocopies or reproductions of this application form will be accepted.
3. Applications are irrevocable and may not be withdrawn once submitted to the transfer secretaries.
4. The transfer secretaries will be required to retain this application form for presentation to the directors if required.
5. Please refer to the terms and conditions of the offers set out in paragraph 7 of the prospectus. Applicants should consult their brokers, bankers, or other professional advisers in case of doubt as to the correct completion of this application form.
6. Applications must be for a minimum of 100 preference shares and thereafter in multiples of 100 preference shares.
7. Applicants who wish to receive their preference shares in dematerialised form must advise their CSDP or broker in terms of the custody agreement entered into between them and their CSDP or broker to accept the preference shares.
8. Applicants who wish to receive their preference shares in certificated form must submit only one application form. To the extent that more than one application is submitted, the first application form received will be the one in respect of which RAC preference shares will be allocated in terms of the prospectus and further application form(s) may be ignored, at the sole and absolute discretion of the directors of RAC.
9. No receipts will be issued for application forms.
10. All alterations on this application form must be authenticated by full signature.
11. RAC will use the "certified transfer deeds" and other temporary "documents of title" procedure approved by JSE Limited and therefore will issue only a "block" certificate for the preference shares allotted in terms of this application for an applicant who requests a share certificate.
12. Blocked Rand may be used by emigrants and non-residents of the common monetary area (comprising the Republics of South Africa and Namibia and the Kingdoms of Swaziland and Lesotho) for payment in terms of this application and reference should be made to paragraph 7.15 of the prospectus, which deals with South African Exchange Control Regulations.
13. If any cheque or banker's draft is dishonoured, the Company may, in its sole discretion, regard the relevant allocation as invalid or take such other steps in regard thereto as it may deem fit.
14. Should the offers in terms of the prospectus not be successful, all monies will be appropriately refunded within seven days of the closing of the offers.



Recm & 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")



PUBLIC OFFER APPLICATION FORM (YELLOW)

In respect of the public offer by way of an offer for subscription for 5 000 000 redeemable, participating, non-cumulative RAC preference shares with a par value 1 cent each plus any preference shares that are not taken up pursuant to the private placement contemplated in the prospectus registered by the Registrar of Companies on Tuesday, 11 May 2010 and issued on Friday, 14 May 2010 ("the prospectus"), at an issue price of R10 per preference share.

1. APPLICATION FOR PREFERENCE SHARES

Applicants who wish to acquire dematerialised shares should approach their broker or CSDP. Applicants who wish to receive share certificates should complete this application form and deliver it by hand, post or fax to:

if delivered by hand or courier:

Link Market Services South Africa (Pty) Limited
16th Floor
11 Diagonal Street
Johannesburg, 2001

if posted:

Link Market Services South Africa (Pty) Limited
(PO Box 4844, Johannesburg, 2000)

if faxed:

Link Market Services South Africa (Pty) Limited
Fax: 0866 743 330

so as to be received by no later than 12:00 on Thursday, 3 June 2010.

1.1 Application for dematerialised preference shares

Applicants who elect to receive their allocated preference shares in dematerialised form may do so, in which case this public offer application form and the section on their CSDP or broker must be completed and returned to their CSDP or broker.

1.2 Application for certificated shares

Applicants who elect to receive their allocated preference shares in certificated form may do so, in which case this public offer application form must be completed and returned to the transfer secretaries.

2. PAYMENT IN RESPECT OF PREFERENCE SHARES APPLIED FOR

Applicants electing to receive their preference shares in dematerialised form must place funds with their CSDP or make other necessary arrangements to enable their CSDP to make payment of the aggregate issue price for the allocated preference shares on the settlement date, in accordance with each applicant's agreement with its CSDP.

Applicants in respect of certificated shares electing to receive their preference shares in certificated form may elect to make payment by way of electronic transfer or by way of bank guaranteed cheque or banker's draft.

2.1 Payment by electronic transfer

Applicants in respect of certificated shares, electing to receive their preference shares in certificated form who wish to pay for the preference shares applied for by way of electronic transfer may do so, in which case proof of such payment by electronic transfer must be delivered by hand, posted or faxed or emailed to the transfer secretaries at:

if delivered by hand or courier:

Link Market Services South Africa
(Pty) Limited
16th Floor
11 Diagonal Street
Johannesburg, 2001

if posted:

Link Market Services South Africa
(Pty) Limited
(PO Box 4844, Johannesburg, 2000)

if faxed or emailed:

Link Market Services South Africa
(Pty) Limited
Fax: 0866 743 330 or e-mailed to
specialprojects@linkmarketservices.co.za

so as to be received by no later than 12:00 on Thursday, 3 June 2010.

Payment by electronic transfer must be made into the following bank account:

Bank:	Standard Bank
Branch:	Thibault Square
Branch code:	02 09 09
Account name:	Recm & Calibre Limited
Account number:	07 313 909 2
Type of account:	Business Current Account

RAC accepts no responsibility and will not be liable for the correctness of any allocation of preference shares pursuant to payment being made, or alleged to have been made, by way of electronic transfer due to proof of such payment not being received, or purported proof of such payment being insufficient or defective, or RAC, for any reason, not being able to reconcile a payment or purported payment with a particular application for preference shares.

2.2 Payment by bank guaranteed cheque or banker's draft

Applicants electing to receive their preference shares in certificated form who wish to pay for the preference shares applied for by way of bank guaranteed cheque or banker's draft may do so, in which case payment in the form of a bank guaranteed cheque or banker's draft (crossed and marked "not transferable" and drawn in favour of "RAC Public Offer") must be delivered in an envelope marked "RAC Public Offer" to the transfer secretaries at:

Link Market Services South Africa (Pty) Limited
16th Floor
11 Diagonal Street
Johannesburg, 2001

so as to be received by no later than 12:00 on Thursday, 3 June 2010.

LATE APPLICATIONS WILL NOT BE CONSIDERED FOR ACCEPTANCE.

Reservation of rights

The directors of RAC reserve the right to accept or reject, either in whole or in part, any public offer applications should the terms contained in this prospectus of which this public offer application form forms part and the instructions herein not be complied with.

Applications must be for a minimum of 100 preference shares and in multiples of 100 preference shares thereafter.

If the preference shares applied for in the public offer exceeds 100% of the preference shares available, the directors will apportion the available preference shares in an equitable manner and with due regard to the Listings Requirements. Non-equitable allocations of excess preference shares will only be allowed in instances where they are used to round holdings up to a minimum of 100 preference shares.

To the directors

Recm & Calibre Limited

1. I/We, the undersigned, confirm that I/we have full legal capacity to contract and, having read the prospectus, hereby irrevocably apply for and request you to accept my/our application for the undermentioned number of preference shares in RAC at an issue price of R10 per share or any greater or lesser number that may, in your absolute discretion, be allotted to me/us, subject to the Articles of Association of RAC.
2. I/We wish to receive my/our allocated preference shares in dematerialised form and will hand this public offer application form to the transfer secretary, and will provide appropriate instructions to my/our appointed CSDP or broker, as the case may be, with regard to the application herein and the payment thereof, as stipulated in the agreement governing my/our relationship with my/our CSDP or broker, as the case may be.

Or
 I/We wish to receive my/our allocated preference shares in certificated form and commit to accept the physical share certificate.
(Tick whichever is applicable)
3. I/We understand that the subscription for preference shares in terms of the prospectus is conditional on the spread of public shareholders, as required in terms of the Listings Requirements of the JSE being achieved and to a minimum subscription amount of R200 000 000 being achieved pursuant to the private placement and public offer made in terms of the prospectus.

Dated

2010

Signature

Assisted by (where applicable)

This section must be completed using BLOCK LETTERS ONLY IN BLACK INK

Surname of individual or Name of entity	Mr Mrs Miss Other title
First names (in full)	
To be completed by all applicants	
Postal address (Preferably PO Box address) <i>Share certificate, if applicable, will be sent to this address</i>	
Telephone number	()
Cellphone number	
E-mail address	
Total number of preference shares applied for at R10 per share	

Note:

1. Minimum number of 100 preference shares and thereafter in multiples of 100 preference shares. (Enter figures only – not words)

Bank account details of the applicant in the event of oversubscription	
Account name:	Bank:
Account number:	Branch:
Type of account:	Branch code:

This section must be completed and stamped by your CSDP or broker if preference shares are required in dematerialised form.

Required information must be BLOCK LETTERS ONLY IN BLACK INK.

CSDP/Broker name	
CSDP/Broker contact person	
CSDP/Broker contact telephone number	()
CSDP/Broker SCA number	
Scrip account number of applicant at CSDP/Broker	
Stamp of CSDP or broker	

This application will constitute a legal contract between RAC and the applicant. Application forms for certificated or dematerialised preference shares will not be accepted unless the above information has been furnished.

Instructions:

1. In case of applications for preference shares in certificated form, proof of payment should be submitted with this application form to the transfer secretaries. Applicants must ensure that payment is made into the bank account detailed in paragraph 2.1 of this application form, or that payment by bank guaranteed cheque or banker's draft in the form prescribed in paragraph 2.2 of this application form, is made, so as to be received by no later than 12:00 on Thursday, 3 June 2010.
2. Applications must be made on this application form. Photocopies or reproductions of this application form will be accepted.
3. Applications are irrevocable and may not be withdrawn once submitted to the transfer secretaries.
4. The transfer secretaries will be required to retain this application form for presentation to the directors if required.
5. Please refer to the terms and conditions of the offers set out in paragraph 7 of the prospectus. Applicants should consult their brokers, bankers, or other professional advisers in case of doubt as to the correct completion of this application form.
6. Applications must be for a minimum of 100 preference shares and thereafter in multiples of 100 preference shares.
7. Applicants who wish to receive their preference shares in dematerialised form must advise their CSDP or broker in terms of the custody agreement entered into between them and their CSDP or broker to accept the preference shares.
8. Applicants who wish to receive their preference shares in certificated form must submit only one application form. To the extent that more than one application is submitted, the first application form received will be the one in respect of which RAC preference shares will be allocated in terms of the prospectus and further application form(s) may be ignored, at the sole and absolute discretion of the directors of RAC.
9. No receipts will be issued for application forms.
10. All alterations on this application form must be authenticated by full signature.
11. RAC will use the "certified transfer deeds" and other temporary "documents of title" procedure approved by JSE Limited and therefore will issue only a "block" certificate for the preference shares allotted in terms of this application for an applicant who requests a share certificate.
12. Blocked Rand may be used by emigrants and non-residents of the common monetary area (comprising the Republics of South Africa and Namibia and the Kingdoms of Swaziland and Lesotho) for payment in terms of this application and reference should be made to paragraph 7.15 of the prospectus, which deals with South African Exchange Control Regulations.
13. If any cheque or banker's draft is dishonoured, the Company may, in its sole discretion, regard the relevant allocation as invalid or take such other steps in regard thereto as it may deem fit.
14. Should the offers in terms of the prospectus not be successful, all monies will be appropriately refunded within seven days of the closing of the offers.