RAC

RECM AND CALIBRE

RECM AND CALIBRE LIMITED

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

ABRIDGED ANNUAL FINANCIAL REPORT

for the year ended

31 March 2015

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Shareholders’ letter

To our fellow shareholders

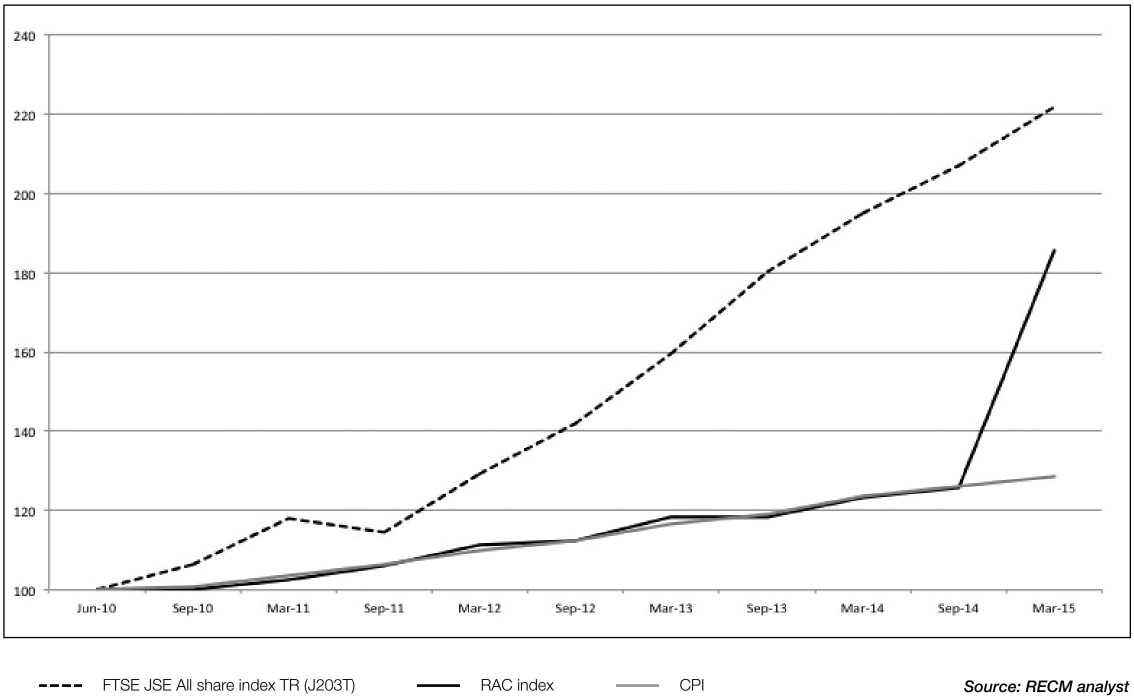
RECM and Calibre (“RAC”) is a long-term investment vehicle that was set up in a very specific way in order to achieve the best possible outcome for its shareholders – both ordinary and preferred – over time.

Control of the Company vests with three partners – Piet Viljoen, Theunis de Bruyn and Jan van Niekerk. Our investment landscape is broad, our capital is patient and we do not plan to pay any dividend any time soon. Our main objective is to increase the Net Asset Value (“NAV”) per share at a high rate over a long period of time.

We understand that some of our fellow shareholders might have time horizons or liquidity preferences that differ from ours. We have therefore listed the Participating Preference shares of RAC on the JSE to facilitate choice and opportunity for shareholders to make their own investment decisions. We will provide you with the appropriate information so that you can make informed decisions around the value of your shares. The price at which you transact is up to you.

During the past financial year, our NAV, for both the ordinary and the Participating Preference shares, grew by 50,5% on a per share basis. By comparison, the total return generated by the JSE All Share Index (“ALSI”), with dividends included, was 13,8%. Since listing in June 2010, our NAV per share has grown by 85,4%, while the ALSI total return index has grown by 121,8% over that same period. As such, we find ourselves a bit behind our primary goal of outperforming the average listed company, but we have caught up somewhat after our slow start.

The following chart shows our progression against our benchmark (the JSE All Share Index, including dividends):



Source: RECM analyst

Shareholders' letter

continued

The NAV per share growth of 50,5% over the last year implies an increase of R311 million. The composition of this increase is as follows:

	2015 R	2014 R
Interest and dividends	**30 720 051**	19 234 657
Realised profits on sale of assets	**17 149 208**	24 818 928
Adjustments to fair value of assets	**296 264 098**	(4 712 301)
Less: Operating expenses	**10 140 930**	8 943 652
Less: Tax paid and provided for	**22 967 057**	6 082 040
Net increase in NAV	**311 025 370**	24 315 592

There are a number of factors that have held back our NAV growth relative to the market. Some of them are moderating somewhat, while others remain. These factors are:

- **Our valuation policy whilst at fair value tends to be conservative.**

  Appraising the value of a business is not a straight-forward operation, and does not deliver indisputable single point solutions. When one values a business, you are expressing an opinion, and in our experience, one should hold such opinions lightly.

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

  For the shares in some of our businesses, there is no secondary market, yet accounting rules now force us to come up with exactly such a stab. At RAC, we will account for our activities as accurately and conservatively as we can. In some instances, our estimate of fair value does not deviate much from the price we were willing to pay to initially acquire the business. However, some of our investments have shown such strong earnings growth over time, that we have had no choice but to reflect an increased value.

  As a result, the first point to remember when judging the growth of RAC's NAV against that of the stock market is that well over half of our NAV (i.e. the unlisted investments) are held within a valuation range that tends to be consistently conservative.

- **Valuations for listed companies are arguably less conservative.**

  Valuations in the stock market are arguably less conservative, and have become even less so over the past year. As we pointed out last year, market valuations today are influenced by two stories. One goes that you can't pay a high enough price for a good quality business that has a growing dividend stream, mainly on account of the low level of interest rates. The second story goes that in a world where growth is scarce, you can't pay enough for it.

  In our opinion, story stocks have driven market valuations significantly above levels which could be considered conservative, to levels where the margin of safety is unsatisfactory.

  Therefore, when judging our NAV growth against the growth of the market, it is important to bear in mind that the market has possibly outstripped its underlying fundamentals. We have no doubt this will be, in due course, corrected – a correction which will have significantly less effect on the NAV of RAC. And possibly present us with some compelling investment opportunities.

Shareholders’ letter

continued

- **Our NAV is calculated after all taxes have been accounted for.**

  When an investment is successful that means it is worth – hopefully a lot – more than you paid for it. But it also means that you owe capital gains tax to the government. Like death, taxes are inevitable – unless you are a really poor investor! Any valuation exercise worth more than the paper it is written on should include this very real liability. Our valuations for the purpose of calculating NAV very definitely includes the amount we have set aside for deferred tax liabilities. The returns from investing in the index are also taxable, but not included in the calculation, as different investors have different tax rates.

Last year we said we found investing in unlisted companies increasingly appealing. The reasons are simple – when dealing with like-minded partners in the underlying businesses, we have better access to information, transactions are conducted at more realistic valuations, and the management teams are not unduly influenced by day-to-day share price movements. We have thus followed our own advice and over the last year have been actively moving away from investing in listed companies. Today, 70% of our balance sheet is invested in private business, where there is no secondary market activity, either over the counter or on formal exchanges.

As a public company, we comply with IFRS accounting standards. The abridged accounts for RAC are set out on pages 8 to 14 of this report. We understand the need for uniformity in financial reporting. But despite the best intentions of those that compiled these standards, we find that sometimes the picture is less clear once it has been IFRS’ed. As they say – the road to hell is paved with good intentions! The following describes some of the difficulties we have encountered!

RAC was originally set up as a single company that housed all of our investments. Some were held directly and others – mostly our listed investments – were held through a dedicated Unit Trust. As the underlying investments have changed from being primarily listed shares to primarily unlisted assets, the Unit Trust has been removed.

During the past year, we established a 100% subsidiary called RAC Investment Holdings (Pty) Ltd (“RIH”). All of our current investments will be transferred to this company, leaving RAC, the listed entity as a holding company. At year-end, though, this process had not been completed. The only investment that was held by RIH at year-end was Goldrush. RIH was funded through a loan account, which confuses some of the financial results for RAC.

In order to sensibly address this issue, we include additional information to elaborate on the accounts and activities of RAC. This information is presented in a slightly different way and should shed further light on our activities and the way we think.

Shareholders' letter

continued

OUR BUSINESS AND INTRINSIC NET ASSET VALUE

Investment	Note	% Owner-ship	Book value Rm	Directors' value[1] Rm	% of net asset value
Goldrush	2	**34,5**	**114,1**	**313**	**30,3**
Mining and Engineering	3		**150,5**	**239,1**	**23,1**
Transhex		25,0	94,2	84,2	8,1
West Coast Resources		27,2	38,4	122,2	11,8
ELB Group		2,2	17,9	32,7	3,2
Retail	4		**103,4**	**190**	**18,4**
Fledge Holdings					
Safari & Outdoor		27,0			
Food and Beverage	5		**74,6**	**102,8**	**10,6**
Sovereign Food		11,3	38,7	71,4	7,4
KWV		4,9	31,1	21,7	2,2
KLK Landbou		5,6	4,8	9,7	1,0
Other long-term investments	6		**55,7**	**107,8**	**11,2**
The American Homes		1,3	28,6	41,2	4,3
Conduit Capital		7,0	12,4	40,1	4,2
Excellerate Holdings		5,5	14,7	26,5	2,7
Held-for-sale investments	7		**27,1**	**12,7**	**1,2**
Total investments			**525,4**	**965,4**	**93,4**
Cash				**71,3**	**6,6**
Net asset value				**1 036,7**	
Liabilities				**109,8**	
Intrinsic net asset value				**926,9**	
Intrinsic net asset value per ordinary and preference share				**18,54**	

Notes:

1. *As mentioned above, IFRS requires RAC, as an investment entity, to place a fair value on all its assets. Where possible, we used market prices, either listed or over the counter. Where these were not available, we used our own estimate of fair value. Due to the uncertainty around valuation, our best estimates of fair value generally tend to be conservative.*

2. *During the past year, RAC concluded transactions that increased our ownership to an effective 34,5% of Goldrush, the second largest operator of Limited Payout Machines (LPMs) and Bingo games in the country. Goldrush is still very early in its growth phase. Over the past year, revenue grew by over 30% and operating profits more than doubled. The company is expanding into wider areas of gaming and has now also expanded into Africa, having been awarded a casino license and is developing an online sports betting business. Its retail sports betting outlets are already operating both in South Africa and in other African countries with LPMs. The group has been awarded further Bingo, LPM and sports betting licenses during the year that are in the process of being rolled out. We have agreements in place which will allow us to increase our shareholding to around 50% over time. Jan van Niekerk serves on the board.*

   The valuation of Goldrush is based on an earnings multiple for the existing operating business, plus an acknowledgement of the market value of the non-operational licenses and an adjustment for the balance sheet structure.

Shareholders' letter

continued

3. *Over the past twelve months we have increased our ownership of Transhex to just over 25%. We know Transhex well, as Theunis has served on the board for a number of years. We have a high regard for the management team, as they have produced commendable results over the past five years. Make no mistake, Transhex operates in a tough industry, and its own situation is not easy – but in Llewellyn Delport they operate under the stewardship of one of the best diamond miners in town, and will no doubt continue to make progress.*

   The Transhex acquisition of Namakwa Diamonds was finalised during the period under review. Subsequent to the acquisition, it was renamed West Coast Resources ("WCR"). RAC owns 27,2% of WCR while Transhex owns 40%, while the latter has a management contract to manage the mine. We believe the mine has strong prospects. The area was comprehensively surveyed by its previous owner De Beers, and its diamond reserves are well documented. Processing of tailings dumps has started and mining will commence later this year. Positive cash flows are expected within 12 months. Transhex has published its valuation of WCR on its website, while we have valued WCR at a combination of the capital we provided, plus RAC's share of the net assets owned by WCR on the date of acquisition.

   RAC owns 2,2% in ELB Group, a well-managed engineering business. During the past 12 months we (marginally) increased our stake by tendering our holding of B&W Instrumentation shares into the scheme of arrangement whereby ELB acquired the entire shareholding of B&W. The ELB group has a fortress balance sheet and conservative accounting, both necessary but not sufficient for success in a cyclical industry. To increase the chance of success you also need a good management team, which ELB has in spades. Theunis de Bruyn serves on their board.

4. *RAC owns 27% of Safari and Outdoor ("S&O"). This business consists of three stores, in Stellenbosch, Pretoria and Rivonia. S&O is the premier retailer of hunting and outdoor equipment in South Africa. Revenue and EBIT have grown by over 50% for the financial year ended February 2015. The growth was driven primarily by the opening of the new store in Rivonia, but same store sales were also up. Theunis de Bruyn serves on their board.*

   S&O has been valued at the same earnings multiple at which the business was purchased. The increase in value indicates the growth in underlying profitability.

   We own an effective indirect 2,5% shareholding in Dischem. This is held through a leveraged structure, Fledge Holdings. Dischem is privately owned and is a leading South African pharmaceutical retailer. The business has experienced solid growth, through an expanding footprint and market share gains. The change in value for the year reflects the increase in the underlying profitability of Dischem, plus the benefit of judicial leverage in the structure. No change was applied to the valuation multiples.

5. *RAC owns 11,3% of Sovereign Foods, a listed poultry producer in the Eastern Cape area. Management is doing a good job in running the business efficiently and growing its product range. Earnings have been under pressure, but we think that Sovereign will be a major beneficiary of the tough times the industry endured over the past few years. The weaker competitors have gone out of business or have been acquired; the irrational and continuous industry capacity expansion has been stymied and the weak rand is making imports less competitive. We expect strong earnings from Sovereign over the next few years; earnings for which one is not paying very much at all at the current valuation. We have used the current market price to value this investment.*

   RAC owns 4,9% of KWV, an unlisted wine and spirits producer. KWV is priced at around a third of its book value – a book value which is slowly growing. Last year, KWV returned to marginal profitability, and if management can successfully add product and improve sales execution both locally and globally, it can earn substantially more. We don't know if this will happen, but we have a high regard for the management team – and if the prizes their products are winning are any indication, the odds favour success. KWV has been named as one of the World's Top 50 Most Admired Wine Brands for four years running – and is the only South African wine brand to attain this global accolade. Their brandies are regularly voted best in the world. Over the past year, we have continued to add to our holding. We have valued this investment at its over-the-counter trading price.

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

6. *Our other long-term investments are a diverse group.*

   RAC owns 7% of Conduit Capital, a specialist insurance business. There have been some recent developments on the shareholder front, with the net result that the CEO, Jason Druian left the group. His position has been filled – in an acting capacity – by the previous CFO, Lourens Louw. Sean Riskowitz, a large shareholder, who led the changes backed by a majority of shareholders, has taken the position of Chief Investment Officer. Although Jason had done a good job of developing Conduit from a small investment company 6 years ago, Sean has more ambitious plans for the business. In short, he intends to place more emphasis on growing the insurance side of the business, and also on simplifying the investment operations. Sean has reconstituted the board, and filled many of the seats with people who have insurance expertise. We support him and his team in these endeavours.

   We own 5,5% of Excellerate Holdings, an unlisted industrial services company. Despite the tough economic environment, revenue grew by 16%, and net profits by almost 50%. This management team punches way above their weight, and we can't wait to see what they come up with over the next few years. Over the past year, our interest in the business has increased due to the company buying back 10% of its shares in issue.

   At year-end we also owned 1,3% of The American Home (TAH), a single family residential Real Estate Investment Trust ("REIT"), based in Atlanta, Georgia. Subsequent to year-end, TAH was sold to a listed REIT for an amount slightly in excess of our cost price. Given the travails of this business (well documented in last year's report) we are happy with this outcome. The one thing that our investment in TAH proved – as if it still needs proving – is that even if a business does less well than you anticipate, you can still earn a decent return if you pay a low enough price, and it is run by honest people. And those two we got right here.

   Just before year-end, RAC acquired 32,4m shares in Sentula on the open market, and added to this by buying another 76,6m just after year-end.

7. *Our held-for-sale investments have reduced even further over the past year.*

   We completely exited from some holdings where our investment was too small to make a difference, or for various reasons, we couldn't see an avenue open to acquire a meaningful stake. We prefer to focus our resources in places where we can make a difference. In some other cases we made mistakes in evaluating the economics of the business or the quality of management.

   As reported last year, when one exits from unwanted positions, it generally happens that the good ones go first, and the bad ones tend to linger for much longer than you would want them to. Much like those boring dinner guests you should never have invited – and never will again. We are still part owner of three companies in this category and, as is always the case, we ended up keeping the worst for last. Their valuations relative to cost show this clearly.

8. *During the year, RAC invested a net amount of R44m as some of our newer investments were funded from realisations of other assets. This left us with cash of R71m at year-end. Some of this cash is held to fund further investments in our existing assets, which means that we have now fully invested the original capital raised for RAC.*

   RAC adjusted Statement of Cash Flows

	2015 R	2014 R
Aggregate cash and cash equivalents at beginning of the year	**98 733 652**	152 150 888
Plus interest and dividends received	**34 149 015**	16 980 798
Less: Cash operating expenses	**(9 637 731)**	(8 841 721)
Less: Cash tax paid	**(7 650 927)**	(4 205 398)
Less: Cash applied to investments	**(44 273 050)**	(57 350 915)
Aggregate cash and cash equivalents at end of the year	**71 320 959**	98 733 652

   We are raising further capital for investment through a R150 million funding arrangement from ABSA, which is in the process of being concluded subsequent to year-end.

Shareholders' letter

continued

Due to the competitive environment in which our private businesses operate, the management teams of the businesses consider it unwise to disclose much financial information. We share their view. Over time, this situation should resolve itself, and we look forward to sharing more detailed financial information with you in future.

RAC is now fully invested for the first time since listing. A year ago, we pointed out that we were in a position where the heavy lifting would be done by our investee companies, which would be reflected in a higher growth rate of our NAV per share. This has turned out to be the case. We have no current plans to sell any of our existing businesses, except for the few remaining ones in our held-for-sale category. We look forward to doing everything we can to assist these businesses in compounding their success in the years to come.

In line with this, we firmly believe that the intrinsic value of RAC is increasing at a much faster pace than the accounting NAV, and have again added significantly to our personal holding of preference shares. In total, we acquired 800 000 preference shares, for a consideration of R10m. The three of us continue to own all the outstanding ordinary shares which represent a 10% economic interest in the business. We now own 6,2% of the preference shares. None of us have ever received free or discounted shares, and we have no share option scheme in place. Every share we own has been bought with our own money. We believe this is true skin in the game, and aligns us properly with our fellow shareholders

During the course of the year, we said good-bye to two of our non-executive directors, Gerrit "Boel" Pretorius and Vernon Davis. They contributed much to our Board discussions, and had some very good investment insights and ideas. For this we thank them. Given the unique structure of RAC, our non-executive directors really have to like what they do to take on the responsibility. In this regard we have no doubt our incoming non-executive directors, Trent Rossini and Zanele Matlala, are exceptionally well qualified.

Today, RAC finds itself in a good position, with a portfolio of attractive assets and available capital for further investments. As our first five years of existence has shown – finding good companies with good management at good prices is a patient but worthwhile endeavour.

In this regard, please bear in mind our investment strategy. If you are involved in any business that meets these criteria and that needs capital or a responsible owner with a long-term orientation, please give one of us a call. We can't promise you a deal, but we can promise you a quick answer.

SHAREHOLDERS' MEETING

We will hold our annual meeting for all shareholders, immediately following the conclusion of the annual general meeting. This meeting is scheduled to take place on 20 August 2015 at the Southern Sun hotel in Newlands, Cape Town, at 11:00. At this meeting, all three of us will be available to discuss our investment operations, and also to answer as many questions as you like. There is an invitation enclosed with this annual report, and we would appreciate it if you would let us know if you will be attending.

Piet Viljoen
Chairman

Theunis de Bruyn

Jan van Niekerk

Cape Town
1 June 2015

Statement of financial position

at 31 March 2015

	Notes	2015 R	2014 R
ASSETS			
Non-current assets		**883 595 786**	525 909 430
Investments	4	**714 253 898**	505 987 018
Loans and other receivables		**169 341 888**	19 922 412
Current assets		**74 418 456**	105 919 966
Investments	4	**67 971 006**	98 631 775
Loans and other receivables		**3 097 497**	7 186 314
Cash and cash equivalents		**3 349 953**	101 877
Total assets		**958 014 242**	631 829 396
EQUITY AND LIABILITIES			
Equity		**926 973 445**	615 948 075
Share capital – ordinary shareholders		**50 000 000**	50 000 000
Share capital – preference shareholders		**450 000 000**	450 000 000
Reserves		**79 950 251**	55 334 324
Retained income		**347 023 194**	60 613 751
Liabilities			
Non-current liabilities		**29 196 620**	12 424 971
Deferred tax		**29 196 620**	12 424 971
Current liabilities		**1 844 177**	3 456 350
Trade and other payables		**1 704 985**	1 861 639
Current tax payable		**139 192**	1 594 711
Total equity and liabilities		**958 014 242**	631 829 396
Net asset value			
Net asset value attributable to ordinary shareholders		**92 697 345**	61 594 807
Net asset value attributable to preference shareholders		**834 276 101**	554 353 268
Net asset value per ordinary share (cents)		**1 854**	1 232
Net asset value per preference share (cents)		**1 854**	1 232

Statement of comprehensive income

for the year ended 31 March 2015

	Notes	2015 R	2014 R
Revenue		**30 720 051**	19 234 657
Operating expenses		**(10 140 930)**	(8 943 652)
Operating profit		**20 579 121**	10 291 005
Other income		**17 149 208**	24 818 928
Fair value gains on subsidiaries and associates		**287 223 959**	–
Impairments recycled through profit and loss		**(21 225 692)**	(6 143 738)
Profit before taxation		**303 726 596**	28 966 195
Taxation		**(17 317 153)**	(5 814 995)
Profit for the year		**286 409 443**	23 151 200
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Net gain on available-for-sale financial instruments		**26 189 347**	20 106 627
Realised gain on sale of available-for-sale investments recycled to profit or loss		**(17 149 208)**	(24 818 928)
Impairment loss reclassified		**21 225 692**	6 143 738
Taxation related to components of other comprehensive income		**(5 649 904)**	(267 045)
Other comprehensive income for the year net of taxation		**24 615 927**	1 164 392
Total comprehensive income		**311 025 370**	24 315 592
Earnings and headline earnings per share			
Per share information (ordinary and preference)			Restated
Basic and diluted earnings per share (cents)	5	**573**	46
Basic and diluted headline earnings per share (cents)	5	**579**	16

Statement of changes in equity

for the year ended 31 March 2015

	Preference share capital R	Ordinary share capital R	Fair value adjustment assets available-for-sale reserve R	Retained income R	Total share-holders' equity R
Balance at 31 March 2013	450 000 000	50 000 000	54 169 932	37 462 551	591 632 483
Profit for the year	–	–	–	23 151 200	23 151 200
Other comprehensive income	–	–	1 164 392	–	1 164 392
Balance at 31 March 2014	450 000 000	50 000 000	55 334 324	60 613 751	615 948 075
Balance at 31 March 2014	**450 000 000**	**50 000 000**	**55 334 324**	**60 613 751**	**615 948 075**
Profit for the year	**–**	**–**	**–**	**286 409 443**	**286 409 443**
Other comprehensive income	**–**	**–**	**24 615 927**	**–**	**24 615 927**
Balance at 31 March 2015	**450 000 000**	**50 000 000**	**79 950 251**	**347 023 194**	**926 973 445**

Statement of cash flows

for the year ended 31 March 2015

	2015	2014
	R	R
Cash flows from operating activities		
Cash utilised in operations	**(9 637 731)**	(8 841 721)
Interest income	**13 125 860**	13 691 554
Dividends received	**21 023 155**	3 289 244
Tax paid	**(7 650 927)**	(4 205 398)
Net cash inflow from operating activities	**16 860 357**	3 933 679
Cash flows from investing activities		
Loans to investees	**(149 419 476)**	(19 922 412)
Purchase of other financial investments	**(81 758 828)**	(161 150 403)
Proceeds on disposal of financial investments	**217 566 023**	177 020 472
Net cash outflow from investing activities	**(13 612 281)**	(4 052 343)
Net movement in cash and cash equivalents	**3 248 076**	(118 664)
Cash and cash equivalents at beginning of the year	**101 877**	220 541
Cash and cash equivalents at the end of year	**3 349 953**	101 877

Selected notes to the annual financial statements

1. BASIS OF PREPARATION

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

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

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements.

Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of RECM and Calibre Limited.

2. SIGNIFICANT ACCOUNTING POLICIES

Assessment as investment entity

Entities that meet the definition of an investment entity within IFRS 10 are required to measure their subsidiaries at fair value rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both;
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis

Based on the above, the Company is considered to meet all three conditions of the definition and, hence, qualifies as an investment entity.

Investment entities with interests in associates and joint ventures may elect to account for those investments at fair value provided they meet the criteria of IAS 28 and IAS 39. Such election must be applied consistently as a matter of accounting policy choice. The Company reports to its investors via annual and semi-annual results and to its management, via internal management reports, on a fair value basis. All investments are reported at fair value to the extent allowed by IFRS in the Company's annual reports.

The Board has also concluded that the Company meets the additional characteristics of an investment entity, in that it has more than one investment; the investments are predominantly in the form of equities and similar securities; and its investors are not related parties. The Board has concluded that the Company meets the definition of an investment entity. These conclusions will be reassessed on an annual basis, if any of these criteria or characteristics change.

3. AUDIT OPINION

This abridged report is extracted from audited information, but is not itself audited. The annual financial statements were audited by Ernst & Young Inc., who expressed an unmodified opinion thereon. The audited annual financial statements and the auditor's report thereon are available for inspection at the company's registered office. The directors take full responsibility for the preparation of the abridged report and that the financial information has been correctly extracted from the underlying annual financial statements.

The audited financial statements, which were prepared under the supervision of the FD, Jan van Niekerk, are available for inspection at the company's registered office and will be included in the Integrated Annual Report 2015 to be posted to stakeholders on or about 1 June 2015.

		2015 R	2014 R
4.	**INVESTMENTS**		
	Fair value hierarchy of financial assets		
	Level 1		
	Class 1 – Listed shares – Quoted – available-for-sale	**241 132 347**	139 546 424
	Class 2 – Unlisted shares – Quoted – available-for-sale	**31 390 404**	33 393 135
		272 522 751	172 939 559
	Level 2		
	Class 3 – Unit trusts	**34 956 206**	275 624 310
	Listed investments held by unit trust – available-for-sale	**–**	72 062 485
	Cash held by unit trust – available-for-sale	**34 956 206**	203 561 825
	Class 4 – Call accounts – available-for-sale	**33 014 800**	25 360 823
		67 971 006	300 985 133
	Level 3		
	Class 5 – Unlisted shares – Unquoted – available-for-sale	**70 999 261**	50 818 664
	Class 5 – Unlisted shares – Unquoted – fair value through profit or loss	**370 731 886**	79 875 437
		441 731 147	130 694 101
	Total financial assets at fair value	**782 224 904**	604 618 793
	Non-current assets	**714 253 898**	505 987 018
	Financial assets – available-for-sale	**343 522 012**	426 111 581
	Financial assets – fair value through profit or loss	**370 731 886**	79 875 437
	Current assets		
	Financial assets – available-for-sale	**67 971 006**	98 631 775
	Total investments	**782 224 904**	604 618 793
	Management classifies cash as current and other investments as non-current.		
	Level 3 reconciliation		
	Opening balance	**130 694 101**	46 238 454
	Purchases	**6 632 549**	79 875 437
	Sales	**–**	–
	Gains on investments recognised in other comprehensive income	**17 180 537**	4 580 210
	Gains on investments recognised in profit and loss	**287 223 960**	–
	Closing balance	**441 731 147**	130 694 101

In the prior year, investments to the value of R79 875 437 were incorrectly disclosed as part of available-for-sale investments. The prior period disclosure has been amended to correctly disclose the investments as at fair value through profit or loss. This had no effect on the statement of financial position or statement of comprehensive income as no fair value movements had been recognised due to the fact that the investments were purchased close to the end of the prior year.

Level 1

Class 1 available-for-sale financial assets are valued at the listed price per the exchange on which they trade.
Class 2 available-for-sale financial assets are valued at the quoted price based on the latest over the counter trades.

Level 2

Class 3 available-for-sale financial assets are valued at the net asset value of the unit trust.
Class 4 available-for-sale financial assets are valued by taking the following market observable data into account and applying them to the holdings:

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

Level 3

Class 5 unlisted unquoted shares are valued using a number of valuation techniques based on the following unobservable market data as relevant to each investment:

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

Selected notes to the annual financial statements

continued

4. INVESTMENTS (continued)

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

	2015 **R**	2014 R
5. EARNINGS AND HEADLINE EARNINGS PER SHARE		
Earnings and headline earnings per shares are based on the profit attributable to ordinary and preference shareholders in issue during the year.		
Number of shares in issue		
Ordinary shares	**5 000 000**	5 000 000
Preference shares	**45 000 000**	45 000 000
Earnings		
Net profit after tax	**286 409 443**	23 151 200
Adjusted to headline earnings as follows:		
Profit on asset disposal	**(17 149 208)**	(24 818 928)
Impairment	**21 225 692**	6 143 738
Tax adjustment	**(760 944)**	3 486 210
Headline earnings	**289 724 983**	7 962 220
		Restated
Basic and diluted earnings per ordinary and preference shares (cents)	**573**	46
Headline earnings per ordinary and preference shares (cents)	**579**	16

The prior year earnings per share figures were amended to include both preference and ordinary shares. In the prior year, earnings per share was calculated based on the number of ordinary shares of 5 000 000. Earnings per share should have been calculated on the total number of ordinary and preference shares (i.e. 50 000 000 million shares) as both classes of share have an equal right to participate in the residual interest and profits of the Company. As a result, the earnings per share for the year ended 31 March 2014 changed from 463 cents per share to 46 cents per share for basic and diluted earnings per share and from 159 cents per share to 16 cents per share for headline earnings per share.

6. SUBSEQUENT EVENTS

The directors are not aware of any matter or circumstance arising since the end of the financial year.