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 STATEMENTS

for the year ended

31 March 2016

Contents

Shareholders’ letter

To our fellow shareholders

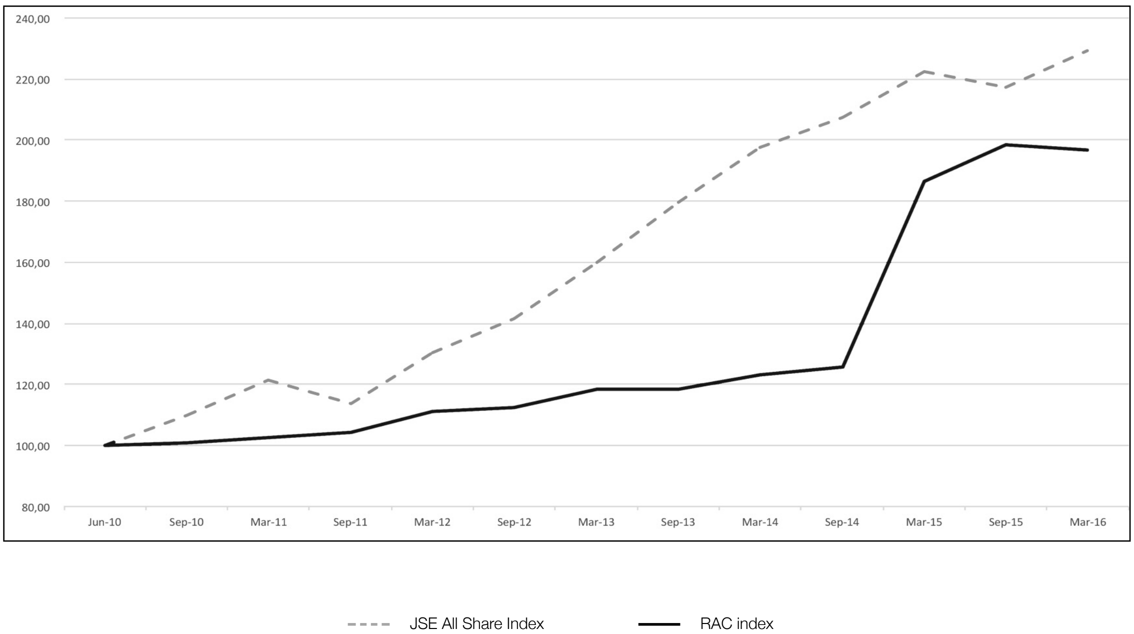
RECM and Calibre (“RAC”) is a long-term investment vehicle that was set up in a specific way, to achieve the best possible outcome for its shareholders – both ordinary and preferred – over time.

Control of the Company vests with the three of us, Piet Viljoen, Theunis de Bruyn and Jan van Niekerk, as we own all the ordinary shares in the company. Our investment landscape is broad, our capital is patient and we do not plan to pay dividends any time soon. This will remain true for as long as we can find investments that satisfy our criteria (more of which follows later). Our main objective is to grow the Net Asset Value (“NAV”) per share of RAC 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 the opportunity for shareholders to make their own investment decisions. These shares have exactly the same economics as the ordinary shares. We undertake to provide you with 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 6,1% on a per share basis. By comparison, the total return generated by the JSE All Share Index, with dividends included, was 3,2%. Since listing in June 2010, our NAV per share has grown by 96,6%, while the ALSI total return index has grown by 129% over that same period. As such, we continue to find ourselves a bit behind our primary goal of outperforming the average listed company since inception. Importantly, over the past two years – ever since RAC became fully invested – we have outperformed the index substantially. Going forward we think we have the building blocks in place to continue doing so.

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



The NAV per share growth of 6,1% over the last year implies an increase of R56,1mn. The composition of this increase looking through to our underlying investments in RIH is as follows:

	2016 **R**	2015 R
Interest and dividends	**17 522 958**	30 720 051
Realised profits on sale of assets	**2 149 792**	17 149 208
Adjustments to fair value of assets	**58 973 515**	296 264 098
Less: Operating expenses	**15 907 690**	10 140 930
Less: Financing expenses	**3 185 319**	–
Less: Tax paid and provided for	**3 425 385**	22 967 057
Net increase in NAV	**56 127 871**	311 025 370

Our shareholders letter has been prepared on a look through basis to the underlying investments, and therefore ignores the internal holding structure in RIH.

When evaluating our NAV per share growth, and comparing it with the broad market for listed stocks, we think it might be useful for investors to keep the following points in mind:

We have not changed our valuation method. All listed assets are held at market prices, while unlisted assets are either held at their OTC price – where one exists – or at our calculated fair value. For assets where there is no visible market price, we perform a valuation exercise, which culminates in a range of fair values, as required by IFRS. Due to the inherent uncertainty of valuing large stakes in unlisted, untraded assets, this range is necessarily quite wide. For some of our unlisted investments, this range includes the original cost price. Where we have purchased the investment in the last 12 months and believe the cost price still to approximate fair value, we continue to carry the investment at cost.

Where we have held the investment for longer than 12 months, we tend to value the investment towards the lower end of fair value range. As such, we aim to be consistently conservative in our valuations.

Valuations in the stock market today are arguably less conservative, and have continued to remain at elevated levels over the past year. This is despite huge political and regulatory uncertainty, the burden of compliance with increasing bureaucracy and rising interest rates. We continue to believe that valuations in public markets remain well above levels that can be considered conservative, leaving investors in public markets with a significantly reduced margin of safety. This is one of the key reasons why we prefer investing in privately-held businesses with no or limited trading of their shares.

We deduct Capital Gains Tax in calculating the NAV of RAC. When an investment is successful that means it is worth – hopefully a lot – more than we paid for it. But it also means that, when we dispose of the investment, we owe capital gains tax to the government. Any valuation exercise worth more than the paper it is written on should include this real liability. Our deferred tax liabilities increased during the last year by a disproportionate amount as the inclusion rate on capital gains tax was increased by the Minister of Finance from 66,7% to 80%. While we have provided for the CGT payable if we were to sell our investments, while we still hold on to them, we have full use of the funds. This is an important – and growing – advantage for long term investors such as RAC.

RAC pays 1,14% (including VAT) of the gross portfolio value for investment management services. This fee is included under Operating expenses in the table above. There are many views in the market place as to the exact value of this contractual payment, but we suggest you include your own calculation when assessing our intrinsic NAV. Other costs grew significantly last year, mainly due to one-off fees linked to obtaining debt financing.

In the past, we have explained why we like private (i.e. unlisted and untraded) businesses more than listed ones. Today, over 75% of our balance sheet is invested in such businesses, up from 59% last year. Our investments have also become more concentrated, as evidenced by the fact that three of our investments make up 72% of our gross portfolio – Goldrush, Transhex/West Coast Resources and Fledge. John Maynard Keynes expressed it well:

Shareholders' letter

continued

"As time goes on, I get more and more convinced that the right method in investment is to put fairly large sums into enterprises which one thinks one knows something about and in the management in which one thoroughly believes. It is a mistake to think that one limits one's risk by spreading too much between enterprises about which one knows little and has no reason for special confidence. One's knowledge and experience are definitely limited, and there are seldom more than two or three enterprises at any given time in which I personally feel myself entitled to put full confidence."

Here are the companies and management in which we have placed our confidence:

Investment	Notes	% Owner-ship	Cost Rm	Directors' fair value [(1)] Rm	% of net asset value
Gaming	**2**		**210,5**	**446,8**	**45,5**
Goldrush		34,5	210,5	446,8	45,5
Mining and Engineering	**3**		**229,5**	**281,1**	**28,5**
West Coast Resources and Dinoka		27,2	38,9	112,4	11,4
Transhex		25,0	94,2	94,6	9,6
JB Private Equity Investors Partnership		90,0	69,6	60,9	6,2
ELB Group		2,2	26,8	13,2	1,3
Retail	**4**		**102,0**	**224,6**	**22,8**
Fledge Holdings					
Outdoor Investment Holdings		28,3			
Food and Beverage	**5**		**85,1**	**86,2**	**8,8**
Sovereign Food		11,3	48,0	57,5	5,8
KWV		5,1	32,3	19,3	2,0
KLK Landbou		5,6	4,8	9,4	1,0
Other investments	**6**		**57,9**	**93,2**	**9,5**
Conduit Capital		7,0	20,9	44,6	4,5
Excellerate Holdings		5,5	14,7	26,3	2,7
College SA		79,3	22,3	22,3	2,3
Non-core investments	**7**		**30,1**	**22,3**	**2,3**
Cash				**3,3**	
Liabilities (mainly CGT)				**(124,3)**	
Preference shares issued to ABSA				**(50,0)**	
Net asset value				**983,1**	
NAV per share ("R")		**19,66**			

Notes:

1. *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. In select circumstances, we have provided debt to some of our investee companies. In these rare instances, our valuations include both equity and debt.*
2. *Goldrush continues to grow strongly. Over the past year, revenue grew by over 20% and net profits more than doubled. On top of a continued roll out of its LPM and Bingo operations, the sports betting business is gaining rather good traction – both land-based and online.*

   During the year, the Company's balance sheet was boosted by a once-off settlement amount received from Sun International arising from the move of their casino license from Morula to Menlyn Main, Pretoria.

Shareholders' letter

continued

Mergan Naidoo, the CEO of Goldrush, does an amazing job of inspiring growth while keeping a tight rein over costs. We regard this to be as important as new business gains.

Our valuation of Goldrush is based on an earnings multiple for the existing operating business, plus the market value of the non-operational licenses and an adjustment for the balance sheet structure. It also includes a value for a call option on further shares in the business. This call option gives us the right to increase our shareholding to around 50% over time. Our cost base has increased over the past year due to some success-based contingent payments of which there are a small amount outstanding.

After their year-end, Goldrush entered into agreements to acquire two businesses. The first of these, The Boss Gaming Group, is the market leader in the Eastern Cape in Bingo and LPM operations. The second, Crazy Slots, owns a 1 000 machine route operator's license in Gauteng and has managed to attain one of the highest average gross gaming revenues per LPM in the province. Both acquisitions are still subject to regulatory approval, but once finalised, Goldrush will be the largest alternative gaming group in the country.

After our financial year-end, we entered into an agreement with the founding family of Goldrush through which we will exercise our call option on the entire outstanding shareholding available to us. This means that RAC, through our subsidiary RAC Investment Holdings, will now own just over 52% of Goldrush. The R221mn payment to the sellers will be settled by R100mn from available cash resources, as well as 2 200 000 RAC preference shares at a price of R23,18 each. A R71mn portion of the cash payment is deferred until no later than September 2017.

We welcome the Hipkin family as a fellow shareholder in RAC. We have done business together for almost three years now and know firsthand that they possess the attributes that great businesses need in their owners – commercial understanding, a work ethic and patience.

3. *Transhex has suffered from lower diamond prices over the past 12 months, somewhat mitigated by a weaker Rand. Despite the poor environment, cash flows have been satisfactory. The Angolan business has good prospects. The South African business is nearing the end of its life, and recoveries are lumpy. The management team continues to have a strong cost focus, something which should always be the cornerstone of any business in the extractive industry. Over the past few years, Transhex has built its cash reserves – from a debt situation of R200mn in 2009 to net cash of R350mn by March 2016. At the same time, it has expanded its operations, paid dividends of more than R50mn and acquired an investment in West Coast Resources. The following table shows Transhex's progress over the past 6 years:*

R mn	2009	2010	2011	2012	2013	2014	2015	2016
Current assets	415,2	466,6	420,2	466,5	540,6	560,4	553	502
Current liabilities	382,8	401,7	396,5	290,3	302,7	253,1	236,7	243,3
Long-term liabilities	415,6	279,7	216,7	191,1	153,7	148,5	117,1	112,5
Net-net current asset value	(383,2)	(214,8)	(193)	(14,9)	84,2	158,8	199,2	146,2
Net asset value per share ('cents')	176	308	292	442	505	521	630	506

NAV per share has compounded at an impressive 16% p.a. This has happened during a period where most mining companies have run into financial trouble. It is a tribute to management under the leadership of Llewellyn Delport. Llewellyn has added (and continues to add) tremendous value to the shareholders of Transhex. Over time, we have no doubt the share price will reflect this effort in spades.

West Coast Resources (WCR) re-started mining operations during 2015, after having been acquired by Transhex. Results from the tailings dumps were disappointing. Mining operations started in earnest towards the end of last year, and are looking much more promising. Initial results look like Transhex has acquired an asset that will generate significant cash over time. Last year we said "We believe the mine has strong prospects". Results from preliminary mine activities have confirmed this view. RAC owns 27,2% of WCR and Transhex owns 40%, while the latter has a management contract to manage the mine. Due to poor results from the tailings operation as well as startup costs, we have reduced the valuation of WCR.

RAC owns 2,2% in ELB Group, a well-managed engineering business. Business conditions have been very tough over the past year, resulting in a sharp decline in its share price. We believe the ELB Group is well financed and not only able to survive the current turmoil, but to take advantage of it. We have increased our holding during the course of the year.

RAC has made an investment in JB Private Equity Investors Partnership, which has as its only asset a 36,5% stake in Sentula Mining, a mining company listed on the JSE. Sentula, like many other mining companies, is suffering a hangover from the "Commodity Supercycle". To alleviate matters, the partnership underwrote a rights offer during the course of the year. We use the market price of Sentula to value our investment in the partnership.

Shareholders’ letter

continued

4. *RAC owns 28,3% of Outdoor Investment Holdings (“Safari and Outdoor”). This business consists of Safari and Outdoor, the premier retailer of hunting and outdoor equipment in South Africa, Inyathi Sporting Supplies, as well as Formalito, a significant wholesaler of hunting equipment, which was acquired during the course of the year. Revenues were up by more than 10% for the year, and operating profits by a similar amount.*

   Marco van Niekerk, who joined the business as CEO during the year, has plans to grow the business both organically as well as through acquisition. We look forward to seeing the fruits of his efforts.

   RAC increased its shareholding marginally during the year, through a combination of share buybacks and an acquisition from existing shareholders.

   Outdoor Investment Holdings has been valued at the same earnings multiple at which the business was purchased. The increase in value indicates the growth in underlying profitability.

   RAC owns 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 continues to experience 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. During the past year, Fledge also received dividends from Dischem. No change was applied to the valuation multiples. Recently, the majority owner of Dischem announced their possible intention to list the shares of the company on the JSE in due course. We regard this development in a positive light, as a move from a private to public company will create an uplift in its valuation.

5. *RAC owns 11,3% of Sovereign Foods, a listed poultry producer in the Eastern Cape area. Sovereign has been in the news lately, as a competitor has actively tried to negatively influence the markets perception of Sovereign, with the aim of either buying it out, or at least hindering its operations. Our estimate of the business’ value has been supported by their superior earnings performance over the past 5 years. Their recent acquisition of additional capacity from Quantum Foods will enable them to increase production at low cost. Current market conditions are quite tough, but we believe Sovereign is well positioned to weather the storm. We value Sovereign at its market price.*

   RAC owns 5,1% of KWV, an unlisted wine and spirits producer. Over the past year, we have added to our holding. Our all-in-cost is just over R9 per share. After year-end, Niveus (the controlling shareholder of KWV) sold the operating assets of KWV for R16,91 per share. In addition, KWV shareholders (including RAC) still retain certain assets, which could be worth an additional R3 to R4 per KWV share. As this transaction occurred after year end, the revaluation has not been taken into account in calculating our NAV. At year end, we were carrying our investment in KWV at R5,50 per share, the last traded 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. They also recently acquired a raisin processing operation. It is a well-run business, and profits have grown by over 20% per annum over the past 4 years. We have valued this investment at its over-the-counter trading price which translates to a PE ratio of 3.

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

   RAC owns 7% of Conduit Capital, a listed specialist insurance business. During the year Conduit concluded a rights issue to raise capital with the aim of growing its insurance business. This was in line with the vision, which was announced along with the management changes in the previous year. Our shareholding has remained unchanged, and we value Conduit at its listed price.

   We own 5,5% of Excellerate Holdings, an unlisted industrial services company. Profits from continuing operations grew by 21% for the 6 months to December, as the business continues to focus on property services, while shedding non-core assets. We have not changed our valuation metrics for the company.

   During the year, we took control of College SA, a new investment for us. College SA is a distance learning business, which had carved out an interesting niche in the market for education. Subsequent to the purchase, we installed new management (who have co-invested with us) with a brief to up the quality of the offering and expand the reach of the business. We look forward to their results in the years to come. We have valued this investment at cost, as it is a recent purchase.

7. *Our non-core investments have increased over the year, mainly through adding the residual investment in The American Homes to this list. We should have exited this investment completely by the fourth quarter of this year. In this category we also own 262 000 Putprop shares. The company wanted to buy out minorities and delist over the past year. We (and other shareholders) felt the price they were offering was too low, and the attempt failed. At a discount to NAV of over 50%, we think we are getting paid to wait for a better exit price. We have had limited success in reducing the other holdings.*

8. *During the year, RAC invested a net amount of R132mn. A portion of this was funded through our debt facility with ABSA bank.*

Shareholders' letter

continued

RAC and RIH adjusted Statement of Cash Flows

	2016 **R**	2015 R
Aggregate cash and cash equivalents at beginning of the year	**71 320 959**	98 733 652
Plus interest and dividends received	**17 522 958**	34 149 015
Less: Cash operating expenses	**(19 093 009)**	(9 637 731)
Less: Cash tax paid	**(9 681 439)**	(7 650 927)
Less: Cash applied to investments	**(132 037 593)**	(44 273 050)
Plus: Financing cash flows	**75 211 617**	–
Aggregate cash and cash equivalents at end of the year	**3 243 493**	71 320 959

Our biggest investment during the year was into the JB Investment Partnership, whose only asset is a listed company, Sentula mining. With respect to industries that are out of favour with the market, like mining, we think the following quote from one of our favourite investors, is appropriate:

> **"The most common cause of low prices is pessimism – sometimes pervasive, sometimes specific to a company or industry. We want to do business in such an environment, not because we like pessimism, but because we like the prices it produces. It's optimism that is the enemy of the rational buyer."**
>
> *– Warren Buffett, 1990 Chairman's letter to shareholders of Berkshire Hathaway*

The current pessimistic environment for mining shares results in investors pricing in the worst of all outcomes, and ignoring any possible good ones. For instance, Sentula Mining is currently trading 95% below its peak valuation in 2008. To put that into numbers – in 2008 the market valued Sentula at R6,2bn. Today the market thinks the same company is worth just R186mn, after having raised fresh capital of R105mn recently. As is often the case, we think the truth is somewhere in the middle. It is only because of the current environment that we were able to acquire an influential stake in this business, at a price which gives us a good chance of substantial investment returns going forward.

Our investment in KWV further illustrates this line of thinking. When we invested, the market was very negative around the prospects for the business. Certain "Lead Steer" investors had just exited, proclaiming that the business was a value trap. After that, while the new owners were restructuring, earnings were poor. Fundamentally, the business was sound: a fortress balance sheet with no debt, strong well known brands which were winning local and international prizes for quality and a management team with skin in the game. However, market prices are often driven by emotions, not fundamentals. When faced with a declining share price, many investors conclude that this declining price accurately reflects the fundamentals and jump on the bandwagon. In so doing, a self-reinforcing vicious circle is formed, with a lower share price cementing the negative sentiment, leading to more selling, which serves to drive the share price even lower, leading to more selling.

In these situations, investors such as RAC can provide liquidity to the sellers, taking advantage of their emotions. We, like the controlling shareholder of KWV, Niveus, can only do so because we have permanent capital at our disposal. While we are buying these bargains, public sentiment tends to regard us, at best, as misguided. In the short-term, the declining share price is "evidence" that the public – and their consultants – are right. If our source of funds were open ended, we would not have been able to hold on to the position, as withdrawals would have forced us to join the selling crowd. And, even if we were not forced to sell, the unrelenting pressure of negative public commentary can itself induce irrational behaviour.

Accurate valuations generally only emerge when large transactions take place at arm's length between properly incentivized parties. In the absence of such confirming transactions, valuation is more art than science, and care should be taken not to get caught up in the chatter of markets.

Simply put, our view is that we will be proven right, not because the short-term direction of the share price movement confirms our view or that market commentators and investment consultants agree with us, but because we have evaluated the fundamentals correctly. And, if we are right the share price will eventually reflect our thinking. We just need the ability to exercise patience. And the permanent capital nature of RAC puts us in a position where we can indeed be as patient as we need to.

Shareholders' letter

continued

The ability to buy KWV at depressed prices and hold on to it, despite widespread criticism, will provide our NAV with a nice up-lift, as the investment has compounded at over 25% p.a. We hold the view that there are more of these unpolished gems in our portfolio of businesses.

As previously stated, our aim is to invest the capital of RAC in order to grow our NAV per share at as high a rate as possible. We try to be very calculated and unemotional when it comes to this. But providing businesses with capital, and trusting their management to grow the value of the business has important consequences. One of the hallmarks of a successful business is that it employs more people at ever higher productivity over time. And in a country where unemployment has reached record levels – despite massive political intervention with huge negative unintended consequences – job creation is important. In this regard, West Coast Resources has created 207 new jobs since we provided them with capital to start mining. Bear in mind that WCR operates in an area of the country where unemployment is rife. Goldrush has created 778 new jobs since we provided them with growth capital two years ago. These jobs have been created in almost all areas of the country. Outdoor Investment Holdings has created 56 jobs over the past two years, after receiving an injection of growth capital from us. We have no doubt that College SA will create many new jobs in the future as well, and that when the cycle turns, Sentula will also turn into a job-creating machine. Without our capital, it would most likely not have survived, and many jobs would have been lost. This is the friendly face of capitalism, which many so often choose to ignore.

We believe our intrinsic fair value is growing at a rate well in excess of our accounting NAV. We are loath to mark our assets up to our opinion of full value, as the proof of value only comes out in transactions.

Today, despite all the negative sentiment around South Africa, we are optimistic about the future. We are fully invested, with a portfolio of good businesses run by good people, acquired at good prices. We spend almost no time thinking about the economy, as our managers are more than smart and tenacious enough to deal with the economic challenges and opportunities they face. All we know is that as with all cycles, this negative one will also come to an end.

In the meantime, we have secured debt funding to grow our asset base, when we come across more good opportunities – which such an environment is bound to provide. In this regard, if you are involved in any business that meets our investment 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.

Our non-executive directors do a sterling job of providing sounding boards and guidance when called upon. We would like to thank them for this. And last, but definitely not least, we would like to thank the managers of our investee companies – they do all the heavy lifting, allowing us to get on with the fun job of exploring investment opportunities.

SHAREHOLDERS' MEETING WITH EXECUTIVE DIRECTORS

We will hold our annual meeting for all shareholders, immediately after the conclusion of the Annual General Meeting of RAC Shareholders. This Annual General Meeting is scheduled to take place on 27 July 2016 at the Southern Sun Hotel in Newlands, Cape Town, at 11:00. At our meeting, all three of us look forward to discussing our investment operations, and answering as many questions as you have. Some of our CEO's will also be present, if you wish to speak to them about their businesses. There is an invitation enclosed with this annual report, and we would appreciate it if you would let us know whether you will be attending.

Piet Viljoen
Chairman

Theunis de Bruyn

Jan van Niekerk

Cape Town
10 June 2016

Statement of financial position

at 31 March 2016

	Notes	2016 R	2015 R
ASSETS			
Non-current assets		**983 290 784**	883 595 786
Investments	5	**983 290 784**	714 253 898
Loans and other receivables		**–**	169 341 888
Current assets		**1 381 153**	74 418 456
Investments	5	**–**	67 971 006
Loans and other receivables		**–**	3 097 497
Cash and cash equivalents		**1 381 153**	3 349 953
Total assets		**984 671 937**	958 014 242
EQUITY AND LIABILITIES			
Equity		**983 101 316**	926 973 445
Share capital – ordinary shareholders		**50 000 000**	50 000 000
Share capital – preference shareholders		**450 000 000**	450 000 000
Reserves		**–**	79 950 251
Retained income		**483 101 316**	347 023 194
Liabilities			
Non-current liabilities		**–**	29 196 620
Deferred taxation		**–**	29 196 620
Current liabilities		**1 570 621**	1 844 177
Trade and other payables		**1 504 352**	1 704 985
Current tax payable		**66 269**	139 192
Total equity and liabilities		**984 671 937**	958 014 242
Net asset value			
Net asset value attributable to ordinary shareholders		**98 310 132**	92 697 345
Net asset value attributable to preference shareholders		**884 791 184**	834 276 101
Net asset value per ordinary share (cents)		**1 966**	1 854
Net asset value per preference share (cents)		**1 966**	1 854

Statement of comprehensive income

for the year ended 31 March 2016

	Notes	2016 R	2015 R
Revenue		**6 601 449**	30 720 051
Operating expenses		**(1 401 609)**	(10 140 930)
Operating profit		**5 199 840**	20 579 121
Other income		**93 094 588**	17 149 208
Fair value gains on subsidiaries and associates		**29 505 129**	287 223 959
Impairments recycled through profit and loss		**–**	(21 225 692)
Profit before taxation		**127 799 557**	303 726 596
Taxation		**8 278 565**	(17 317 153)
Profit for the year		**136 078 122**	286 409 443
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Net gain on available-for-sale financial instruments		**–**	26 189 347
Realised gain on sale of available-for-sale investments recycled to profit or loss		**(93 094 588)**	(17 149 208)
Impairment loss reclassified		**–**	21 225 692
Taxation related to components of other comprehensive income		**13 144 337**	(5 649 904)
Other comprehensive income for the year net of taxation		**(79 950 251)**	24 615 927
Total comprehensive income		**56 127 871**	311 025 370
Earnings and headline earnings per share			
Per share information (ordinary and preference)			
Basic and diluted earnings per share (cents)	6	**272**	573
Basic and diluted headline earnings per share (cents)	6	**86**	579

Statement of changes in equity

for the year ended 31 March 2016

	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 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
Profit for the year	**–**	**–**	**–**	**136 078 122**	**136 078 122**
Other comprehensive income	**–**	**–**	**(79 950 251)**	**–**	**(79 950 251)**
Balance at 31 March 2016	**450 000 000**	**50 000 000**	**–**	**483 101 316**	**983 101 316**

Statement of cash flows

for the year ended 31 March 2016

	2016 R	2015 R
Cash flows from operating activities		
Cash utilised in operations	**(728 983)**	(9 637 731)
Interest income	**106 824**	13 125 860
Dividends received	**6 500 000**	21 023 155
Tax paid	**(7 846 641)**	(7 650 927)
Net cash (outflow)/inflow from operating activities	**(1 968 800)**	16 860 357
Cash flows from investing activities		
Loans to investees	**–**	(149 419 476)
Purchase of other financial investments	**–**	(81 758 828)
Proceeds on disposal of financial investments	**–**	217 566 023
Net cash outflow from investing activities	**–**	(13 612 281)
Net movement in cash and cash equivalents	**(1 968 800)**	3 248 076
Cash and cash equivalents at the beginning of the year	**3 349 953**	101 877
Cash and cash equivalents at the end of year	**1 381 153**	3 349 953

Selected notes to the abridged 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.

These abridged annual financial statements do not contain as much detailed information and disclosures as the audited annual financial statements and should therefore not be considered as a substitute for reading the audited financial statements.

2. GROUP STRUCTURE

RECM and Calibre Limited (“RAC”) was established in 2009 as a closed-end investment entity that makes long-term investments, with the objective of generating high real returns. Investments can be listed or unlisted, public or private, and there are no limits as to the geographic location.

Given that the investment infrastructure of RAC has been set up to facilitate investments and funding in the most efficient manner, investments are made either through a fully owned subsidiary incorporated in South Africa, RAC Investment Holdings (Pty) Ltd, (“RIH”) or directly.

During the period all the investments (including the related loans and receivables) to the value of R723 549 474 held by RAC were transferred to the wholly-owned subsidiary RIH for an additional 190 shares in RIH. The loan to RIH in the prior year of R114 059 440 was converted to share capital by RIH issuing an additional 10 shares to RAC. This transfer was primarily to facilitate future funding. This transfer had no impact on the NAV of RAC. Given this structure, RAC has provided the fair value disclosure in two parts in note 5. Page 14 discloses the investment in RIH as required by IFRS and page 15 provides additional disclosures that the directors deem useful by looking through RIH to the underlying investments at the directors fair values. The transfer of the investments, (previously held as available-for-sale), to RIH has resulted in the unrealised gains of R93 094 558, previously recognised in other comprehensive income, being reclassified to profit or loss. All fair value movements on the investment in RIH will be recognised in profit or loss going forward.

3. 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 (refer to note 3 for additional disclosures relating to fair value)

Selected notes to the abridged annual financial statements

Based on the above, the Company is considered to meet all three conditions of the definition and, hence, qualifies as an investment entity. Consolidated Financial Statements are therefore not prepared.

In line with RAC carrying its investment in RIH at fair value, RAC has also elected the exemption in IAS 28 to carry any interests in associates and joint ventures at fair value through profit or loss. Such election is applied consistently due to the fact that the Company is an investment entity and evaluates its investments on a fair value basis. 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 exposure, directly or indirectly, to 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.

4. 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 2016 to be posted to stakeholders.

Selected notes to the abridged annual financial statements

continued

		2016 R	2015 R
5.	**INVESTMENTS**		
	Fair value hierarchy of financial assets		
	Level 1		
	Class 1 – Listed shares – Quoted – available-for-sale	**–**	241 132 347
	Class 2 – Unlisted shares – Quoted – available-for-sale	**–**	31 390 404
		–	272 522 751
	Level 2		
	Class 3 – Unit trust – cash held by unit trust–available-for-sale	**–**	34 956 206
	Class 4 – Call accounts – available-for-sale	**–**	33 014 800
		–	67 971 006
	Level 3		
	Class 5 – Unlisted shares – Unquoted – available for sale	–	70 999 261
	Class 5 – Unlisted shares – Unquoted – fair value through profit or loss – other	–	253 681 269
	Class 5 – Unlisted shares – Unquoted – fair value through profit or loss – RIH	**983 290 784**	117 050 617
		983 290 784	441 731 147
	Total financial assets at fair value	**983 290 784**	782 224 904
	Non-current assets	**983 290 784**	714 253 898
	Financial assets – available-for-sale	**–**	343 522 012
	Financial assets – fair value through profit or loss	**983 290 784**	370 731 886
	Current assets		
	Financial assets – available-for-sale	**–**	67 971 006
	Total investments	**983 290 784**	782 224 904
	Management classifies cash as current and other investments as non-current.		
	Level 3 reconciliation		
	Opening balance	**441 731 147**	130 694 101
	Purchases	**836 735 038**	6 632 549
	Sales	**(324 680 530)**	–
	Gains on investments recognised in other comprehensive income	**–**	17 180 537
	Gains on investments recognised in profit or loss	**29 505 129**	287 223 960
	Closing balance	**983 290 784**	441 731 147

Please refer to the group structure note on page 12 which explains the transfer of investments to RIH.

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

Selected notes to the abridged annual financial statements

continued

5. INVESTMENTS (continued)

Level 3

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

- Net profit of investee
- Equity and net debt of investee
- Return on capital
- Price/Earnings ratio
- Expected cash flows
- NAV of the investee if it recognises its assets and liabilities at fair value

Management uses the above information in multiple valuation techniques by comparing the investee information to similar type entities in the listed market. The nature of the fair value calculations means that fair values range greatly and are sensitive to indirect and direct quantifiable and unquantifiable inputs.

There have been no significant changes to the inputs to the fair valuation calculations of the investments to which RAC is exposed. RIH has continued to be valued based on its NAV which is driven by the valuation of the underlying investments.

In terms of IFRS, RAC is an Investment Entity, and therefore no consolidated results are required to be prepared. IFRS requires the fair value disclosure to be prepared at the Unit of Account Level (i.e.: at the level of shares that RAC owns and those are shown above). The Board of Directors has decided to provide the following voluntary disclosures looking through the 100% held subsidiary, RIH, to its underlying investments. In addition, a summary of the NAV of RIH as well as the underlying valuation techniques and sensitivities have been provided.

	2016 R	2015 R
Fair value hierarchy of financial assets held by RAC Investment Holdings (Pty) Ltd		
Level 1		
Class 1 – Listed shares – Quoted	**218 701 832**	–
Class 2 – Unlisted shares – Quoted	**28 723 525**	–
	247 425 357	–
Level 2		
Class 3 – Unit trust – money market unit trust	**63 715**	–
	63 715	–
Level 3		
Class 5 – Unlisted shares – Unquoted – available-for-sale	**71 393 813**	31 788 371
Class 5 – Unlisted shares – Unquoted – fair value through profit or loss	**753 455 736**	281 523 665
	824 849 549	313 312 036
Total financial assets at fair value	**1 072 338 621**	313 312 036
Non-current assets	**1 042 743 917**	313 312 036
Current assets	**29 594 704**	–
Total investments	**1 072 338 621**	313 312 036
Summary of Net Asset Value of RIH		
Total investments from above	**1 072 338 621**	313 312 036
Loans and receivables	**82 037 280**	–
Cash and cash equivalents	**1 798 625**	809
Deferred tax	**(76 469 122)**	(24 134 156)
Contingent consideration	**(19 129 854)**	(58 030 305)
Loans and payables	**(77 284 766)**	(114 097 767)
Net Asset Value of RIH	**983 290 784**	117 050 617

5. INVESTMENTS (continued)

5.1 Description of significant unobservable inputs and sensitivities of RAC (level 3 investment).

	Valuation technique	Fair value Rm	Significant unobservable inputs	Range	Sensitivity
RAC Investment Holdings ("RIH")	NAV	983,3	Fair values of the underlying investments (refer to breakdown below)	N/A	A 10% increase/decrease in the fair value of the underlying investments would result in an increase/decrease in value of R98m.

5.2 The below table shows the sensitivities per underlying investment as if these were held directly by RAC (level 3 investment).

Retail: Safari and Outdoor; Fledge (excluding non-equity invest-ments)	Multiples	192,1	EBITDA	4 – 8	A change in multiple up by 1 would result in an increase in fair value of approximately R35m.
			Discount for lack of marketability and liquidity to listed entity	35% – 45%	A change in discount rate of 10% would result in a change in fair value of approximately R66m.
Goldrush Group	Multiples	446,8	EBITDAR	5 – 7	A decrease in the EBITDAR multiple by 1 would result in a decrease in fair value of approximately R56m and an increase in the EBITDAR multiple by 1 would result in an increase fair value of approximately R94m.
Excellerate	Last trade price	26,3	N/A	220 cents	
			Discount for lack of marketability and liquidity on latest available NAV as a check on last traded price	1,50%	A change in discount rate to 10% would result in a change in fair value of approximately R2,3m.
JB Private Equity Investors Partnership	NAV	61	N/A	N/A	The NAV of the JB Private Equity Investors Partnership is directly linked to the underlying investment in Sentula Mining Limited which is listed on the JSE and is not currently significantly impacted by any fair value adjustment to trade and other payables and therefore NAV of the JB Private Equity Investors Partnership is considered to be fair value. A 10% movement in the Sentula share price would have a R6,7m impact on the Partnership NAV.
Mining: West Coast resources (excluding non-equity invest-ments)	NAV	73,5	Valuation of mining rights	10%	A multi-period excess earnings method was used to calculate the mining rights in WCR. There are unseen inputs into this calculation. A change in the value of the mining rights by 10% would result in a R14 million change in the NAV of WCR.
Education: SA College	Multiples	21,2	EBITDA	4 – 6	A change in multiple up by 1 would result in an increase in fair value of approximately R4 million.
Other level 3 investments		3,9			
Total		824,8			

Selected notes to the abridged annual financial statements

continued

5. INVESTMENTS (continued)

2015

5.3 Description of significant unobservable inputs and sensitivities of RAC

	Valuation technique	Fair value Rm	Significant unobservable inputs	Range	Sensitivity
Retail: Safari and Outdoor; Fledge (excluding loans)	Multiples	170	EBITDA	4 – 8	A change in multiple up by 1 would result in an increase in fair value of approximately R24 million.
			Discount for lack of marketability and liquidity to listed entity	35% – 45%	A change in discount rate of 10% would result in a change in fair value of approximately R27 million.
Excellerate	Last observable price	26,5	Delisted market price per share versus last observable price	115 cents – 220 cents	
			P/E Multiple, as check on last observable price	6 – 8,5	Using a multiple of 6 to 8,5 would result in a price of 222 to 314 cents per share, before applying a discount for liquidity.
			Discount for lack of marketability and liquidity on P/E Multiple as a check on last observable price	25% – 30%	A change in discount rate of 10% would result in a change in fair value of approximately R4 million. A 30% discount is currently being applied for lack of liquidity.
RAC Investment Holdings ("RIH")	NAV	117	EBITDAR of substantial underlying investments in RIH	5 – 7	A change in the EBITDAR multiple of the underlying investment by 1 would result in an increase or decrease in fair value of approximately R38 million.
Mining: West Coast resources	NAV	122	Valuation of mining rights	10%	A multi-period excess earnings method was used to calculate the mining rights in WCR. There are numerous unseen inputs into this calculation. A change in the value of the mining rights by 10% would result in a R14 million change in the NAV of RAC.
The American Home	Credit and time value of money discount	41	Discount due to the time value of money (5%) and the increased credit risk of a future dated receipt of redemption proceeds	20% – 30%	A change in discount rate of 10% would result in a change in fair value of approximately R1,5 million. A 30% discount is currently being applied.

Factors that were taken into account by management 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. The nature of the fair value calculations means that the calculated fair values could range greatly and are sensitive to indirect and direct quantifiable and unquantifiable inputs. 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.

Selected notes to the abridged annual financial statements

continued

	2016 R	2015 R
6. 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	**136 078 122**	286 409 443
Adjusted to headline earnings as follows:		
Reclassification of fair value gains through profit or loss on disposal of available-for-sale financial instruments	**(93 094 588)**	(17 149 208)
Impairment	**–**	21 225 692
Tax adjustment	**–**	(760 944)
Headline earnings	**42 983 534**	289 724 983
Basic and diluted earnings per ordinary and preference shares (cents)	**272**	573
Headline earnings per ordinary and preference shares (cents)	**86**	579

7. SUBSEQUENT EVENTS

Subsequent to year-end the following significant transactions have occurred in RIH:

- RIH issued another 50 preference shares for R1 million each to ABSA Bank Limited on 6 April 2016 in order to raise additional capital for future investments.

Subsequent to year-end, RIH has entered into an agreement through which it will exercise a call option to acquire 20,81% of the issued share capital of Goldrush for an aggregate consideration of R221 176 302 which will be settled via the following means:

- R100 000 000 in cash from existing resources;
- R50 996 000 through the issue of 2 200 000 fully paid-up non-cumulative redeemable participating preference shares in RAC at a price of 2 318 cents per share. Application will be made for the listing of such preference shares on the JSE once issued; and
- a deferred cash payment of R70 180 302 by no later than 30 September 2017. The amount of the deferred payment will increase at a rate equivalent to South African headline consumer price inflation from 31 March 2016 up to date of final settlement.

The transaction will increase RIH's shareholding and voting rights in Goldrush to 52,21%.

The transaction is subject to a number of conditions and approvals, which will be obtained in the course of business.

Corporate information

RECM AND CALIBRE LIMITED
("RAC" or "the Company")

COUNTRY OF INCORPORATION AND DOMICILE
South Africa

NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES
Investments as principal activities

COMPANY REGISTRATION NUMBER
2009/012403/06

PREFERENCE SHARE CODE
RACP

ISIN
ZAE000145041

DIRECTORS
T de Bruyn (*Executive Director)*
Z Matlala (*Independent Non-Executive Director)*
T Rossini (*Independent Non-Executive Director)*
JG Swiegers (*Independent Non-Executive Director)*
JC van Niekerk (*Executive Financial Director)*
PG Viljoen (*Executive Chairman)*

COMPANY SECRETARY
G Simpson

FINANCIAL STATEMENTS INTERNALLY COMPILED BY
D Schweizer – Chartered Accountant (S.A.)

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