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 2017

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 in order to achieve a high rate of growth in per share net asset value ("NAV") over time. As such, our long-term goal is to build an exceptional investment company. To our mind, an exceptional investment company implies a company that generates returns better than most investment alternatives, be they companies, funds or an index replicating a stock market.

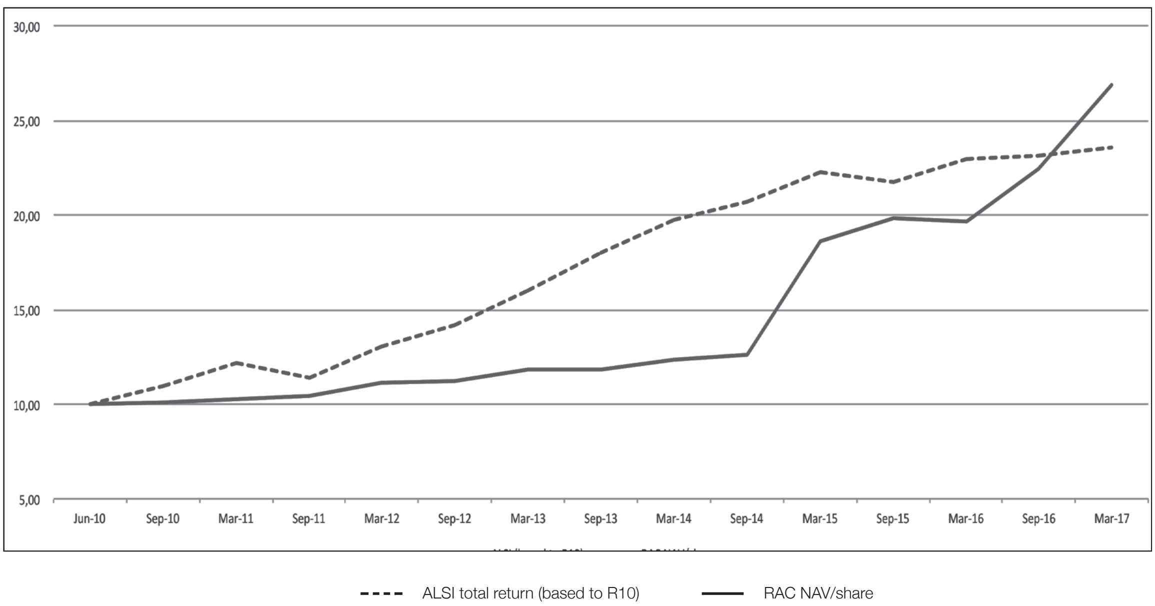
The past financial year has been a good one for your company. We have managed to allocate more capital to our core group of companies – businesses with good management where we have control, or at least significant influence. We have also managed to profitably reduce exposure to the investments where we only own a minority stake – our so-called "portfolio investments".

The effect on our NAV per share has been positive, both from a quantitative and a qualitative point of view. Growth in per share NAV (our preferred method of measuring value creation) was more than quite satisfactory at 39,1%. This compares to the All Share Index total return for the year of 2,5%. Equally important, we think that the quality of our NAV – that which is not historically measurable – has improved substantially and as a result, we calculate two outcomes in future:

- The annual rate at which our per share NAV compounds will increase.
- The amount of capital we can deploy into our core growth opportunities will increase.

We listed RAC in 2010, almost 7 years ago. Initially our performance was somewhat lackluster, as we took time to identify and acquire investments that met our strict criteria. It took us 4 years to fully invest our capital and since then our performance has accelerated. For the first time since listing, the growth of our NAV since inception has exceeded the growth from the All Share Index. To become an exceptional investment vehicle takes time, but we believe we are firmly on the right path. Since inception, RAC's NAV per share has compounded by 16,1% p.a., while the All Share Index returned 14,1% annually.

The following chart shows our progression against the JSE All Share Index, including dividends. R10 invested in RAC participating preference shares in June 2010 has grown to R27,35 in Net Asset Value after all fees and taxes. The same amount invested in the JSE All Share Index would have grown to R23,53, before taking any fees and taxes into account.



The NAV per share growth of 39,1% over the last year implies an increase of R415,7mn. The composition of this increase on a look-through basis is as follows:

	2017 R	2016 R
Interest and dividends	**339 583 909**	17 522 958
Realised profits on sale of assets	**30 027 593**	2 149 792
Adjustments to fair value of assets	**114 212 226**	58 973 515
Share issue and buy back	**24 502 250**	–
Operating expenses	**(20 752 921)**	(15 907 690)
Financing expenses	**(17 123 473)**	(3 185 319)
Tax paid	**(11 021 088)**	(9 681 439)
Tax (provided for)/reversed	**(43 740 480)**	6 256 054
Net increase in NAV	**415 688 016**	56 127 871

By far the largest component of return was in the form of dividends. This partially reflects the way our investment in Dischem was structured via Fledge Holdings, as a result of which the proceeds from the sale of this investment of R324mn was paid out as a dividend.

During the course of the year, we completely sold out of our minority interests in Gooderson, American Homes and Afrocentric Health for a small profit. We reduced our minority interest in Sovereign Foods for a profit of over R20mn. We spent just over R250mn on investments, the largest portion of which went into Goldrush, as we acquired control from the Hipkin family.

After starting the year with around R3mn investable cash, the net effect of our transactions was to increase this balance to R171mn by year-end.

Our main operating expense is the management fee we pay. This fee amounts to 1,14% (including VAT) of the portfolio. During the period under review, RAC appointed RAC Advisory Services (RAC AS) as an additional manager to RECM. RAC AS is a corporate advisory firm in the RECM group of companies. As the investments of RAC have moved further away from outside passive minority interests in listed entities towards controlling interests in unlisted entities, the skill set of RAC AS has become more relevant, which led to the appointment of the manager. The fee rate itself is unchanged.

The increase in our operating expenses was solely due to our NAV showing strong growth. Other expenses (directors fees, audit fees, bank charges etc.) in the aggregate declined by 28%. Our financing expenses increased due to our further drawdown of the facility with ABSA. This will increase further in the coming years, as we intend to use a reasonable amount of debt to expand our investment activities. We generally prefer using a responsible level of debt over equity, as equity is a much more expensive form of finance. Each additional share we issue has to be serviced in perpetuity, while debt is repayable.

We provided for capital gains tax (CGT) on our unrealized gains at the statutory rate.

OUR INVESTMENTS

As we do not aim to be a diversified outside passive minority investor, but rather a controlling (or at least influential) owner of businesses, we have changed the way we present our holdings this year.

Our core investments, where we have a significant stake in the business, and associated influence, are grouped together. We expect to be long-term capital partners of these businesses and their management teams. At year-end, this made up 85,5% of our asset base. Our minority stakes are now grouped separately, and make up 12,4% of our asset base. We will either increase our ownership or sell out of these businesses over time. There is a third group called other investments. This consists of interests in businesses we are either in the process of exiting or acquiring. Either way, we do not think it is in our shareholders' best interest that we disclose any specifics, as this could have the effect of jeopardizing the transaction.

Shareholders' letter

continued

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

	Notes	% Owner-ship	Cost Rm	Directors' fair value [(1)] Rm	% of net asset value
Core investments			**708,8**	**1 195,60**	**85,5**
Goldrush	2	53,3	406,0	816,4	58,4
Trans Hex	3	25,5	96,1	110,0	7,9
West Coast Resources	3	27,2	39,4	53,3	3,8
JB Private Equity Investors Partnership	4	90,0	71,1	100,9	7,2
Outdoor Investment Holdings	5	28,3	41,1	59,9	4,3
College SA	6	88,1	55,1	55,1	3,9
Portfolio investments			**114,1**	**175,4**	**12,4**
Conduit	7	5,4	20,9	46,2	3,3
La Concorde	8	5,1	32,3	42,3	3,0
Excellerate	9	6,2	14,7	34,0	2,4
ELB Group	10	3,3	29,0	21,2	1,5
Sovereign Food	11	2,7	11,1	18,4	1,3
KLK Landbou	12	6,2	6,1	13,3	0,9
Other investments	13		**139,6**	**145,3**	**10,4**
Receivables				8,3	0,6
Cash and cash equivalents				170,6	12,2
Liabilities (mainly CGT)	14			(146,3)	(10,46)
Preference shares issued to ABSA				(150,1)	(10,73)
Net asset value				1 398,8	100,0
NAV per share ("R")		27,35			

Notes:

1. *IFRS requires RAC, as an investment entity, to place a fair value on all its assets. We have not changed our valuation method. Where possible, we use market prices, either listed or over the counter. 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. In select circumstances, we have provided debt to some of our investee companies. In these rare instances, our valuations above include both equity and debt.*

   We tend to value our unlisted investments towards the lower end of a fair value range, which implies a significant discount to the values of similar companies in the listed environment. As a result our balance sheet naturally provides our shareholders with protection against random negative surprises – the sort of surprises that hit even the best listed business prices from time to time. If such once-off bad things happen, we are less likely to be forced to reduce the valuations at which we carry our investments. Conversely our shareholders could expect the odd windfall gain, when, as a result of corporate action, value is added to a previously discounted asset through better liquidity and visibility.

   This year, we had a perfect example of such a situation. Our investment in Dischem was held in an unlisted holding company called Fledge Holdings, over which we had no influence or control. Although we recognized that Dischem was a valuable business, we placed a big discount on its valuation due to the lack of influence and given the fact that we could not freely transact in Fledge shares. Once Dischem listed, the Fledge structure was unwound, and value was realised. To be exact, the value that emerged was R187mn in excess of our prior carrying value, or R3,61 per RAC share.

We expect more realisations like this in the future – we just don't know the timing or magnitude. Valuation is as much an art as a science, and any attempt to place a fair value on an asset should be accompanied by warnings and disclaimers. The accounting profession's increased use of the fair value methodology brings about much false precision, and heightened risk for naive users of financial statements. It also creates significant opportunity for promoters to misrepresent reality – a very common occurrence in the stock market. We intend to do our best to avoid such situations.

Our fair value is an imprecise estimate of the intrinsic value of RAC, but we do try to pitch it at the lower bound of this wide grey area. It would be fair to say that we would be more inclined buyers than sellers at the fair values of the assets in our portfolio.

2. *Goldrush has grown into the largest alternative gaming group in the country. At year end, Goldrush operated 14 Bingo sites. The group had rolled out 1 614 limited payout machines out of a total licensed opportunity of 4 085. The group also operated 23 sports betting shops out of a potential opportunity of 36 licenses.*

   Goldrush today operates in all 9 provinces of the country, as well as in Lesotho and Tanzania. The group employs more than 1 400 staff throughout its operations. Its customers are served under the Goldrush (Bingo, LPM), Crazy Slots (LPM) and G-bets (Sports betting) brands.

   As disclosed in our last commentary, Goldrush has entered into an agreement to purchase the Boss Gaming Group, an operator of Bingo and LPMs in the Eastern Cape and KZN regions. This transaction is still subject to Competition Commission approval, but there is no reason for us to expect the transaction not to conclude. The delays are purely administrative. Once the transaction is concluded, our Bingo customers will be served under the Goldrush and Bingo Royale brands. The transaction with Crazy Slots became unconditional in March 2017, and had a negligible impact on our results for the year.

   As an operator in a highly regulated industry, the primary value of our business derives from the ownership of its licenses. Without the entrenched rights to operate these licenses, our business would be less valuable. As Goldrush matures and improves the scale of its operations, the group has become more successful at:

   - *acquiring licenses, both through a very competitive bidding process for new licenses and through acquisition of existing licenses from other operators; and*
   - *rolling out existing licenses.*

   The table below shows that management has almost doubled the number of licenses across all segments over the last two years. This still excludes the Boss Gaming transaction.

Summary of gaming licenses in the group

		Mar 2015	Mar 2016	**Mar 2017**
Bingo	Licenses Owned	11	14	**18**
	Licenses Rolled out	11	14	**14**
LPM *	Route/ISO Licenses Owned	4	6	**9**
	Machines Approved	1 900	2 520	**4 085**
	Machines Rolled out	1 042	1 360	**1 614**
Sports Betting	Licenses Owned	19	30	**36**
	Licenses Rolled out	15	18	**23**

* *A 1 000 machine Route license has become the subject of a review process during the year, and is therefore excluded from these numbers.*

In the past financial year, the group increased revenue by 19,1%, while sustainable EBITDAR (the measure we use to evaluate the progress of the business) increased by 26,5%. Progress was held back a little by delays in rolling out more limited payout machines in some of our newer territories. Bingo operations and Sports betting set the pace this year.

Selected financial information for the Goldrush Group

	Mar 2015 (Rmn)	Mar 2016 (Rmn)	**Mar 2017 (Rmn)**
Total Revenue	517,4	627,1	**747,2**
Sustainable EBITDAR	151,2	181,3	**229,5**
Net Financial Indebtedness	101,0	96,1	**112,8**

Our valuation for Goldrush is based on an earnings multiple for the existing operations (as reflected in sustainable EBITDAR) and an adjustment for the balance sheet structure. This includes financial indebtedness as reflected above, plus market-related valuations for non-operational licenses.

During the last financial year, RAC acquired control of Goldrush and at year end owned a direct stake of 53,3% in the Group. The multiple used for our valuation increased slightly over the last year from 6 to 6,5 to reflect RAC acquiring control, the increased quality of the business due to scale and to acknowledge positive developments in the regulatory environment.

Earlier in our letter we referred to opportunities to deploy more capital into high quality businesses. Goldrush is a shining example of the potential outcome of a good management team in charge of a good business. Due to its nature, Goldrush still has a long growth path ahead of it as existing operations mature and new operations are initiated.

3. At Trans Hex ("Transhex" or "TSX") diamond prices have stabilized over the past 12 months, but the strong rand has had a negative impact on revenue. Transhex has an interest in 3 operations: The Lower Orange (LOR – 100% owned), West Coast Resources (WCR – 40% owned) and Angolan-based Luarica Resources (LR, 40% owned).

   Transhex reported disappointing results for the year, primarily driven by underperformance in terms of volumes at both WCR and LOR. LOR is nearing the end of its life, and management is addressing the issue pro-actively. Results from this operation will continue to be even more lumpy than usual. WCR has delivered results below even our early conservative expectations. LR is performing very well, and has scope to expand its operations.

   Our interest in WCR has been further impaired due to the operational underperformance.

   Please see Transhex's results for more detail.

   During the course of the year, companies aligned with Dr. CH Wiese acquired over 50% of the shares in issue of Transhex. RAC entered into an agreement with these entities to make an offer to all other minorities in Transhex. As a result, RAC acquired an additional 402 206 shares, and the consortium now controls 75% of the shares of Transhex. The board has been reconstituted and we are working hard to get the business back on an upwards trajectory.

   Our investment in TSX is carried at the market price, while our investment in WCR is carried at net asset value. This valuation has been reduced over the past year to reflect the continuing operational underperformance.

4. RAC owns 90% of JB Private Equity ("JB") an entity that has as its only investment a 37% stake in Sentula Mining, a mining services company listed on the JSE. JB increased its shareholding in Sentula marginally during the course of the year. At the time of our initial investment we appointed our co-investor, Jacques Badenhorst, as the CEO.

   During the past financial year Sentula completed the bulk of the restructuring and repositioning of the Group and its operating subsidiaries. This included a further reduction in Group overhead expenses, closing down the contract mining operations, investing in the drilling and blasting and heavy crane lifting businesses, raising R150mn financing for the expansion of the anthracite mine as well as repaying the senior debt term facility. Although not dependent on it, the operating subsidiaries are well-positioned to take advantage of any sustained upswing in the commodity cycle.

   We value the partnership based on its holding of Sentula, which in turn, is valued at its listed price. Over the past year we have seen a nice uplift in the markets estimate of the value of the business, as expressed in its share price. Time will tell if the market is appraising Jacques' efforts accurately.

5. RAC owns 28,3% of Outdoor Investment Holdings (OIH). 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. Revenue was up by more than 10% for the year, and operating profits by a similar amount. OIH, has performed in line with expectations for the year ended 28 February 2017. Retail consumers are under pressure and with more than 360 competitors, the market is currently overtraded. Gross margin and inventory management will be a major focus point for the coming year. Safari & Outdoors' new East Rand store started trading during March 2017. This increases the store base to 4, and the effect on OIH will be evident in next year's results. We have valued OIH at the same multiple as last year – an EBITDA multiple of 4 times. As profits have been just about flat, there has been very little change in the value of OIH over the past year.

6. *During the year, we invested a further R 28,5mn into College SA, the company that houses our education-focused assets. This tertiary education group serves students under three brands, namely "College SA", "Tabaldi Online Accounting Classroom" and "IASeminars".*

   College SA employs – beyond business management – dedicated academics, administrators, client services professionals, education lawyers and systems developers. We pro-actively work with our regulators, as we have learnt over time that regulation provides valuable barriers to entry.

   Through the three brands, the business served almost 5 000 active students last year. We deliver a wide range of options – from supporting UNISA students studying to become Chartered Accountants, to Middle Eastern central bankers that want to sharpen their international accounting skills, and full-time employees that want to progress in their career through completing a business analyst course. Of course there are also young South African school leavers that could not gain entrance to the public tertiary system due to lack of capacity, funding or quota systems.

   One of the very near term objectives is to develop and obtain accreditation for more of our own courses and programs and to obtain even higher accreditation for our businesses. This might take a bit longer, but it is certainly a lot cheaper than buying them in the market currently.

   While the group of businesses making up College SA were attractively priced and reasonably profitable at the time, we see attractive returns on capital invested in the business as it grows scale, brands and reach. We therefore plan to reinvest all our cash flow from our existing business and some further capital into these high-return opportunities.

   Since we have made meaningful further investments during the year, our range of valuations for College SA still falls fairly close to the book value of our investment, which is also our fair value for the investment at this stage.

7. *RAC owns 5% of Conduit Capital, a listed specialist insurance business. We have a high regard for management and their business and investment strategy. Our shareholding has remained unchanged, and we value Conduit at its listed price.*

8. *RAC owns 5,1% of La Concorde (previously called KWV), an unlisted wine and spirits producer. Our all-in-cost is just over R9 per share. During the financial year, Niveus (the controlling shareholder of KWV) sold the operating assets of KWV for R16,91 per share. In addition, La Concorde shareholders (including RAC) still retain certain assets, which could be worth an additional R3 to R4 per La Concorde share. At year-end, we were carrying our investment in La Concorde at R12,05 per share, the last traded price.*

9. *RAC owns 6,8% of Excellerate Holdings, an unlisted property services company. Profits from continuing operations grew by 7% for the 6 months to December, as the business was affected by a weak local economy. Recently, Excellerate entered into an alliance agreement with Cushman and Wakefield, the second largest Global Real Estate Service Company in the world. Management is making good progress on building scale in the business.*

   Our interest in the business has increased, due to a share buyback. We continue to value this unlisted business at the price of the most recent buyback, which translates to a historical P/E ratio of 6.

10. *RAC owns 3% of the ELB Group. Their strategic focus is on being an internationally-recognised holistic engineering solutions provider to the mining, minerals, power, port, construction and industrial sectors in the fields of materials handling, mineral separation, industrial projects and power solutions. Over the 6 months to December the group returned to profitability after a difficult period in the previous year. RAC increased its holding in ELB during the course of the year under review. We value this listed investment at its market price.*

11. *At year-end RAC owned 2,7% of Sovereign Foods, a listed poultry producer. We feel that the ongoing hostile battle for the business by a competitor has dented the intrinsic value of the business. As such, we reduced our investment during the course of the year. We value the business at its listed share price.*

12. *RAC owns a 6,2% investment in KLK Landbou, an unlisted farming co-op headquartered in Upington. Their main lines of business include meat-processing, fuel sales, raisin-processing and a motor dealership. Profits were under pressure during their last financial year, declining by 10%. We have valued this investment at its over-the-counter trading price which translates to a PE ratio of 4.*

13. *The grouping of "Other Investments" consists of investments we are in the process of exiting, or where we are building a position. This grouping includes some listed equities, as well as derivative positions. Over time we expect the size of this category to decline substantially.*

14. *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 should include this real liability. We have provided for the CGT payable if we were to sell our investments, but 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. Importantly, we have some control over when and how a tax event takes place.*

Events subsequent to year-end

- We have sold out of our investment in Sovereign Foods completely, realising a profit of R29mn (58cps) on the total investment.
- Our sister company, RECM, launched a deep value fund, using a Collective Investment Scheme structure that is appropriate for Qualified Investors. The fund also has liquidity terms that suits long term investors willing and able to make a long term commitment. RAC became the anchor investor in the fund, by injecting our holdings of undervalued minority stakes from our portfolio investments into the fund. These included ELB and KLK. We believe value investing is poised for an upswing, and RECM is the best fund manager to take advantage of this. The stocks we injected into the fund are all undervalued, but in return we received units in a fund with a slightly wider portfolio of similarly undervalued assets. We believe the dedicated focus of the deep value fund will lead to better returns.

  It is worth repeating what a fellow value investor recently said:

  "*In environments with wide spreads like today, the historical data have been quite compelling; wide valuation spreads and the resolution of uncertainties have generally led to extended periods of value outperformance.*" *– Rich Pzena*
- We have concluded negotiations with ABSA to increase their debt facility to us by a further R200mn to a total of R350mn. This gives us additional flexibility to invest into our existing set of opportunities, or take advantage of any new opportunities. The terms are the same as for our existing facility.
- We receive an increasing amount of phone calls around new investment opportunities. While we appreciate these, and look forward to receiving even more over time, most of the time the answer from our side is no. During the year we did get a call that piqued our interest however. The company in question is Distribution and Warehousing Network Limited ("DAWN"), which recently fell on hard times. It was a classic "platform" type situation, where management thought they could acquire multiple businesses, and simply add them to the existing platform of corporate services. The theory was that costs could be reduced and revenue synergies achieved. And for a while the market agreed. DAWN's share price peaked at around R18 per share, valuing the business at R4bn.

  At the time of the call to us, the company was in dire straits with its bankers, and needed emergency funding. At the time, the share price was R2,20. We stepped in to underwrite a deeply discounted rights issue, priced at R1,00 per share. Most shareholders followed their rights, but we did end up with 18% of the company, which cost us R101mn. New management has been appointed and our partner, Theunis de Bruyn has agreed to join the board. The business has a tough outlook for the next year or two, but we think the price we paid protects us if things don't improve as planned.

Our Strategy

To become an exceptional investment business is simple but not easy. We are not able to forecast the gyrations of the economy, the machinations of politicians or the madness of crowds, but we can control:

a. ***What we buy and what price we pay***

   We prefer capital-light businesses that are scalable. We also prefer honest politicians. Unfortunately, both are scarce. So far, we have invested more than half of our capital in our preferred type of businesses. But, having a "grand strategy" generally does not sit well with us. We prefer to be flexible in our thinking, and opportunistic in execution.

   Given the current condition of the economy (poor), we are finding opportunities in capital-intensive businesses and turnarounds, due to the prices at which these type of businesses are becoming available (low).

   Regardless of the type of business we invest in, we think the price we pay will be an important determinant of whether the investment turns out successfully. We cannot avoid risk, we can only manage it, and the best risk management tool is still the price one pays for an asset.

*b. **Who we choose to partner with***

We think the people we choose to partner with in our companies, are as important as the price we pay. Sometimes it turns out to be even more important. Over the long term, a person's character has a strong positive correlation with success. Character also informs how people choose to deal with adversity, of which any business will face its fair share over time.

The deal is simple: we leave our managers alone to manage their businesses as best they see fit. In return, our structure provides a long term home for them, safe from the vagaries and short term demands of the stock market. To execute on this simple strategy successfully requires a high level of mutual trust. In building trust, character is key.

*c. **The leakages in the system – fees, costs, taxes etc.***

We aim to minimize leakages as far as possible. Our main cost is contractual. But there are other costs borne by the company in addition to the management fee. So far these costs in absolute terms have not been high. However, relative to the current size of our capital base they are too high. There are two things to keep in mind here – the first being you get what you pay for. More importantly however, our capital base should grow faster than our cost base.

The second leakage – tax – is unavoidable. But it is possible to delay the actual payment thereof. Deferred taxes allow us to retain capital temporarily, and in so doing, compound more capital at our (hopefully) high internal rate.

We will continue to focus on these "controllables" relentlessly.

Our Structure

At year-end, control of the Company vested with the two of us, as we own all the ordinary shares in the Company. This is a change from last year, when Theunis de Bruyn was part of the control consortium. He remains our partner, but has relinquished his executive duties, as he wishes to spend more time on his own investment vehicle, Calibre Capital – the Calibre in the RECM & Calibre. As such, he opted to exchange his (unlisted but voting) ordinary shares for (listed but non-voting) participating preference shares. He remains a significant shareholder with all of us.

The three of us – Jan, Theunis and Piet – all have a very long investment horizon. We plan to remain invested in, and managing the affairs of RAC for a very, very long time. Most investment partnerships do not last a long time, as the partners have different views on important issues. Our partnership disagrees on many things, but not the important ones mentioned above in the strategy section. Unlike most marriages these days, we plan on staying the course.

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.

We also do not intend to pay dividends, given that the tax on dividends is roughly the same as CGT for most investors. So if you need income, you can sell some of your shares. Importantly this way you have much more flexibility and control over how and when you want to create a tax liability.

Our shareholders letter has been prepared on a look-through basis to the underlying investments, and therefore ignores RIH, which is a 100% owned investment subsidiary of RAC.

The Future

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 really comes out in transactions. The rest of the time it is just that – an opinion. And it is one of the opinions that should be held lightly.

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.

Shareholders' letter

continued

As the Rolling Stones sang:

> *"You can't always get what you want, but if you try sometimes, well you just might find –*
>
> *You get what you need"*

Sometimes we want things that just don't matter, but we believe markets will always give us what we need – good assets at the right price, run by people who we admire. Negative economic environments increase the odds of this happening. In the meantime, we have secured debt funding to grow our asset base, if and when we come across more such opportunities. 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. 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.

Finally, to all our shareholders – thank you for entrusting your capital to us.

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 26 July 2017 at the Southern Sun Hotel in Newlands, Cape Town, at 11:00. At the meeting, we look forward to discussing our investment operations, and answering as many questions as you have. Some of our CEOs will also be present, if you wish to speak to them about their businesses. There is an invitation enclosed and we would appreciate it if you would let us know whether you will be attending.

Piet Viljoen
Chairman

Jan van Niekerk
Executive Financial Director

Cape Town
20 June 2017

Statement of financial position

at 31 March 2017

	Notes	2017 R	2016 R
ASSETS			
Non-current assets		**1 396 876 924**	983 290 784
Investments	5	**1 396 876 924**	983 290 784
Current assets		**2 681 458**	1 381 153
Investments	5	**2 409 514**	–
Current tax receivable		**223 307**	–
Cash and cash equivalents		**48 637**	1 381 153
Total assets		**1 399 558 382**	984 671 937
EQUITY AND LIABILITIES			
Equity		**1 398 789 332**	983 101 316
Share capital – ordinary shareholders		**18 206 250**	50 000 000
Share capital – preference shareholders		**506 296 000**	450 000 000
Retained income		**874 287 082**	483 101 316
Liabilities			
Current liabilities		**769 050**	1 570 621
Trade and other payables		**769 050**	1 504 352
Current tax payable		**–**	66 269
Total equity and liabilities		**1 399 558 382**	984 671 937
Net asset value			
Net asset value attributable to ordinary shareholders		**102 550 538**	98 310 132
Net asset value attributable to preference shareholders		**1 296 238 794**	884 791 184
Net asset value per ordinary share (cents)		**2 735**	1 966
Net asset value per preference share (cents)		**2 735**	1 966

Statement of comprehensive income

for the year ended 31 March 2017

	Notes	2017 R	2016 R
Revenue		**30 163 291**	6 601 449
Operating expenses		**(1 517 457)**	(1 401 609)
Operating profit		**28 645 834**	5 199 840
Other income		**–**	93 094 588
Fair value gains on subsidiary		**362 590 140**	29 505 129
Profit before taxation		**391 235 974**	127 799 557
Taxation		**(50 208)**	8 278 565
Profit for the year		**391 185 766**	136 078 122
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Realised gain on sale of available-for-sale investments recycled to profit or loss		**–**	(93 094 588)
Taxation related to components of other comprehensive income		**–**	13 144 337
Other comprehensive income for the year net of taxation		**–**	(79 950 251)
Total comprehensive income		**391 185 766**	56 127 871
Earnings and headline earnings per share			
Per share information (ordinary and preference)			
Basic and diluted earnings per share (cents)	6	**765**	272
Basic and diluted headline earnings per share (cents)	6	**765**	86

Statement of changes in equity

for the year ended 31 March 2017

	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 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
Profit for the year	**–**	**–**	**–**	**391 185 766**	**391 185 766**
Share issues	**56 296 000**	**–**	**–**	**–**	**56 296 000**
Share buy back	**–**	**(31 793 750)**	**–**	**–**	**(31 793 750)**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**
Balance at 31 March 2017	**506 296 000**	**18 206 250**	**–**	**874 287 082**	**1 398 789 332**

Statement of cash flows

for the year ended 31 March 2017

	2017 R	2016 R
Cash flows from operating activities		
Cash utilised in operations	**(2 252 759)**	(728 983)
Interest income	**169 541**	106 824
Dividends received	**3 500 000**	6 500 000
Tax paid	**(339 784)**	(7 846 641)
Net cash inflow/(outflow) from operating activities	**1 076 998**	(1 968 800)
Cash flows from investing activities		
Purchase of investments	**(2 409 514)**	–
Net cash outflow from investing activities	**(2 409 514)**	–
Net movement in cash and cash equivalents	**(1 332 516)**	(1 968 800)
Cash and cash equivalents at the beginning of the year	**1 381 153**	3 349 953
Cash and cash equivalents at the end of year	**48 637**	1 381 153

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.

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 from capital appreciation, investment income or both. 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 made either through a fully owned subsidiary incorporated in South Africa, RAC Investment Holdings (Pty) Ltd, ("RIH") or directly.

During the prior year 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 opening balance of the loan to RIH of R114 059 440 as at 1 April 2015 was converted to share capital by RIH issuing an additional 10 shares to RAC during the prior year. 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. Notes 5.1 and 5.3 disclose the investment in RIH as required by IFRS and notes 5.2 and 5.4 provide additional disclosures that the directors deem useful by looking through RIH to the underlying investments. The transfer of the investments, (previously held as available-for-sale), to RIH resulted in the unrealised gains of R93 094 558, previously recognised in other comprehensive income, being reclassified to profit or loss during the prior year. All fair value movements on the investment in RIH are recognised in profit or loss.

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 5 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 applied the exemption in IAS 28 to carry any interests in associates and joint ventures at fair value through profit or loss. Such application 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 report.

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. 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, which exclude the shareholders' letter, 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 2017 available for download from www.racltd.co.za.

Selected notes to the abridged annual financial statements

continued

	2017 R	2016 R
5. INVESTMENTS		
Fair value hierarchy of financial assets		
Level 2		
Class 4 – Money market fund	**2 409 514**	–
	2 409 514	**–**
Level 3		
Class 5 – Unlisted shares – Unquoted – fair value through profit or loss	**1 396 876 924**	983 290 784
	1 396 876 924	983 290 784
Total financial assets at fair value	**1 399 286 438**	983 290 784
Total assets at fair value through profit or loss	**1 399 286 438**	983 290 784
Non-current assets – fair value through profit or loss	**1 396 876 924**	983 290 784
Current assets – fair value through profit or loss	**2 409 514**	–
Total investments	**1 399 286 438**	983 290 784
Management classifies money market fund as current and other investments as non-current.		
Level 3 reconciliation		
Opening balance	**983 290 784**	441 731 147
Purchases	**50 996 000**	836 735 038
Sales	**–**	(324 680 530)
Gains on investments recognised in profit or loss	**362 590 140**	29 505 129
Closing balance	**1 396 876 924**	983 290 784

Please refer to the group structure note on page 14 which explains the transfer of investments to RIH in the prior year.

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

Level 2
Class 3 financial assets are valued based on the price of the underlying assets.
Class 4 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

Class 6 financial assets are unlisted shares valued at the last traded price between third parties if the transaction occurred within the last 6 months.

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.

Selected notes to the abridged annual financial statements

continued

5. INVESTMENTS (continued)

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. Management are responsible for preparing the valuations which are reviewed by the Audit and Risk Committee and approved by the Board.

In terms of IFRS, RAC is an Investment Entity, and therefore no consolidated results are 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.

	2017 R	2016 R
Fair value hierarchy of financial assets held by RAC Investment Holdings (Pty) Ltd		
Level 1		
Class 1 – Listed shares – Quoted	**205 119 811**	218 701 832
Class 2 – Unlisted shares – Quoted	**55 550 183**	28 723 525
	260 669 994	247 425 357
Level 2		
Class 3 – Derivative instruments	**130 879 183**	–
Class 4 – Money market fund	**158 886 872**	63 715
Class 6 – Unlisted shares – last traded price – available-for-sale	**34 031 981**	–
Class 6 – Unlisted shares – last traded price – fair value through profit or loss	**49 736 932**	–
	373 534 968	63 715
Level 3		
Class 5 – Unlisted shares – Unquoted – available-for-sale	**4 038 769**	71 393 813
Class 5 – Unlisted shares – Unquoted – fair value through profit or loss	**993 249 079**	753 455 736
	997 287 848	824 849 549
Total financial assets at fair value	**1 631 492 810**	1 072 338 621
Non-current assets	**1 472 605 938**	1 042 743 917
Current assets	**158 886 872**	29 594 704
Total investments	**1 631 492 810**	1 072 338 621
Summary of Net Asset Value of RIH		
Total investments from above	**1 631 492 810**	1 072 338 621
Loans and receivables	**56 749 640**	82 037 280
Cash and cash equivalents	**4 665 742**	1 798 625
Deferred tax	**(117 389 895)**	(76 469 122)
Contingent consideration and options	**(22 123 176)**	(19 129 854)
Loans and payables	**(6 518 197)**	(27 284 766)
Preference shares	**(150 000 000)**	(50 000 000)
Net Asset Value of RIH	**1 396 876 924**	983 290 784

5. INVESTMENTS (continued)

31 March 2017

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

	Valuation technique	Fair value Rm	Significant unobservable inputs	Input value	Sensitivity
RAC Investment Holdings ("RIH")	NAV	1 397	Earnings and multiple of the underlying investments (refer to breakdown below)	N/A	A change in the multiple of the underlying investments by 1 would result in a change in value of R106m.

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

Retail: Safari and Outdoor; (excluding non-equity invest-ments)	Multiples	49,9	EBITDA, Sales, PE	4 – 8	A change in multiple by 1 would result in an increase in fair value of approximately R14m.
Goldrush Group	Multiples	816,4	EBITDAR	6,5	An increase or decrease in the EBITDAR multiple by 1 would result in a change in fair value of our investment of approximately R122m.
JB Private Equity Investors Partnership	NAV	100,9	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 R8,7m impact on the Partnership NAV.
Mining: West Coast Resources (excluding non-equity invest-ments)	NAV	26,1	Valuation of mining rights	19% discount rate	A multi-period excess earnings method was used to calculate the mining rights in WCR. A change in the value of the mining rights by 10% would result in a R24,7m change in the NAV of WCR.
Other level 3 investments		4,0			
Total		997,3			

Selected notes to the abridged annual financial statements

continued

5. INVESTMENTS (continued)

31 March 2016

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

	Valuation technique	Fair value Rm	Significant unobservable inputs	Input value	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.

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

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			

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 hunting equipment industry has 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. SA College and Excellerate have been classified as level 2 in the current year as they have been valued using the last traded price.

Selected notes to the abridged annual financial statements

continued

	2017 R	2016 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 at year-end		
Ordinary shares	**3 750 000**	5 000 000
Preference shares	**47 400 000**	45 000 000
Reconciliation of issued shares to weighted average number of shares		
Ordinary shares		
Opening balance	**5 000 000**	5 000 000
Share buy back	**(393 836)**	–
Weighted average number of ordinary shares	**4 606 164**	5 000 000
Preference shares		
Opening balance	**45 000 000**	45 000 000
Share issues	**1 534 795**	–
Weighted average number of preference shares	**46 534 795**	45 000 000
Total weighted average number of shares	**51 140 959**	50 000 000
Earnings		
Net profit after tax	**391 185 766**	136 078 122
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)
Headline earnings	**391 185 766**	42 983 534
Basic and diluted earnings per ordinary and preference shares (cents)	**765**	272
Basic and diluted headline earnings per ordinary and preference shares (cents)	**765**	86

7. SUBSEQUENT EVENTS

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

The Distribution and Warehousing Network Limited (“DAWN”) rights issue closed, resulting in RIH subscribing for 100 640 017 shares at R1 per share.

Investment in Sovereign Foods was sold for a profit of R29m.

An investment was made into the RECM Flexible Value Prescient QI Hedge Fund totalling R40,7m.

ABSA has made another R200m of financing available to RIH on the same terms as the current R150m of preference shares. RIH has drawn down on R50m of this subsequent to year-end.

A loan facility totaling R24m has been provided to Trans Hex which will be available for draw down as and when required. The loan repayment date is 30 June 2018 and it will attract interest at 24% per annum.

Notice of annual general meeting

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")

NOTICE IS HEREBY GIVEN that the annual general meeting of shareholders of RECM and Calibre Limited will be held at Southern Sun Newlands, 7 Main Road, Newlands, Cape Town on Wednesday, 26 July 2017, at 11:00 for the purposes of passing, if approved, the following resolutions with or without modification:

SPECIAL RESOLUTION NUMBER ONE

Approval of independent non-executive directors' remuneration

"RESOLVED THAT the independent non-executive directors' fees for services rendered as directors for the financial year 2018 be determined as follows:

Directors' fees	Year ended 31 March 2018
Board member	144 528
Chairman – Audit and Risk Committee	120 472

In terms of section 65(9) of the Companies Act, the percentage of voting rights that will be required for this special resolution to be adopted, is at least 75% of the voting rights exercised on the resolution.

ORDINARY RESOLUTION NUMBER ONE

Approval of annual financial statements

"RESOLVED THAT the audited annual financial statements of the Company for the year ended 31 March 2017 be accepted and approved."

In terms of section 65(7) of the Companies Act, the percentage of voting rights that will be required for this ordinary resolution to be adopted is an amount greater than 50% of the voting rights exercised on the resolution.

The Integrated Annual Report, including annual financial statements, is available at www.racltd.co.za.

ORDINARY RESOLUTION NUMBER TWO

Reappointment of auditors

"RESOLVED TO appoint Ernst & Young Inc. as the Company's auditor, as nominated by the Company's Audit and Risk Committee and to note that the individual registered auditor who will undertake the audit during the financial year ending 31 March 2018 is Mr MP Rapson."

In terms of section 65(7) of the Companies Act, the percentage of voting rights that will be required for this ordinary resolution to be adopted is an amount greater than 50% of the voting rights exercised on the resolution.

ORDINARY RESOLUTION NUMBER THREE

Election of director

"RESOLVED THAT Mr JG Swiegers who retires in terms of article 35.12 of the Company's Memorandum of Incorporation and who has offered himself for re-election, be re-elected as an independent non-executive director of the Company."

A brief CV of the director is set out on page 2.

In terms of section 65(7) of the Act, the percentage of voting rights that will be required for this ordinary resolution to be adopted is an amount greater than 50% of the voting rights expressed on the resolution.

ORDINARY RESOLUTION NUMBER FOUR

Election of director

"RESOLVED THAT Ms Z Matlala who retires in terms of article 35.12 of the Company's Memorandum of Incorporation and who has offered herself for re-election, be re-elected as an independent non-executive director of the Company."

A brief CV of the director is set out on page 2.

In terms of section 65(7) of the Act, the percentage of voting rights that will be required for this ordinary resolution to be adopted is an amount greater than 50% of the voting rights expressed on the resolution.

ORDINARY RESOLUTION NUMBER FIVE

Election of Audit and Risk Committee member

"RESOLVED TO elect Mr JG Swiegers as a member of the Audit and Risk Committee."

In terms of section 65(7) of the Act, the percentage of voting rights that will be required for this ordinary resolution to be adopted is an amount greater than 50% of the voting rights exercised on the resolution.

ORDINARY RESOLUTION NUMBER SIX

Election of Audit and Risk Committee member

"RESOLVED TO elect Ms Z Matlala as a member of the Audit and Risk Committee."

In terms of section 65(7) of the Companies Act, the percentage of voting rights that will be required for this ordinary resolution to be adopted is an amount greater than 50% of the voting rights exercised on the resolution.

ORDINARY RESOLUTION NUMBER SEVEN

Election of Audit and Risk Committee member

"RESOLVED TO elect Mr T Rossini as a member of the Audit and Risk Committee."

In terms of section 65(7) of the Companies Act, the percentage of voting rights that will be required for this ordinary resolution to be adopted is an amount greater than 50% of the voting rights exercised on the resolution.

VOTING AND PROXIES

Voting

The shareholders of the Company will be entitled to attend the general meeting and to vote on the resolutions set out above. On a show of hands, every RAC ordinary shareholder who is present in person, by proxy or represented at the general meeting shall have one vote (irrespective of the number of shares held in the Company), and on a poll, every RAC ordinary shareholder shall have for each share held by him/her that proportion of the total votes in the Company which the aggregate amount of the nominal value of that share held by him bears to the aggregate of the nominal value of all the shares issued by the Company.

The voting record date, being the date to be recorded in the register to be eligible to speak and vote at the annual general meeting, is Friday, 21 July 2017 and the last date to trade is Tuesday, 18 July 2017.

Electronic participation

Should any shareholder wish to participate in the general meeting by way of electronic participation, that shareholder should make application in writing (including details as to how the shareholder or its representative can be contacted) to so participate to the transfer secretaries at the address below, to be received by the transfer secretaries at least five business days prior to the annual general meeting in order for the transfer secretaries to arrange for the shareholder (and its representative) to provide reasonably satisfactory identification to the transfer secretaries for the purposes of section 63(1) of the Act and for the transfer secretaries to provide the shareholder (or its representative) with details as to how to access any electronic participation to be provided. The Company reserves the right to elect not to provide electronic participation at the annual general meeting in the event that it determines that it is not practical to do so. The costs of accessing any means of electronic participation provided by the Company will be borne by the shareholder so accessing the electronic participation.

Proxies

A RAC ordinary shareholder entitled to attend and vote at the annual general meeting may appoint one or more persons as its proxy to attend, speak and vote in its stead. A proxy need not be a shareholder of the Company.

A form of proxy is attached for the convenience of certificated shareholders and “own name” dematerialised shareholders of the Company who are unable to attend the annual general meeting, but who wish to be represented thereat. In order to be valid, duly completed forms of proxy must be received by the Company’s Transfer Secretaries, Link Market Services South Africa (Pty) Limited, 13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein, 2004 (PO Box 4844, Johannesburg, 2001) not later than 11:00 on Monday, 24 July 2017.

Section 63(1) of the Act requires that meeting participants provide satisfactory identification.

Shareholders’ rights regarding proxies in terms of section 58 of the Act are as follows:

(1) At any time, a shareholder of a company may appoint any individual, including an individual who is not a shareholder of that company, as a proxy to –
  - (a) participate in, and speak and vote at, a shareholders’ meeting on behalf of the shareholder, or
  - (b) Give or withhold written consent on behalf of the shareholder to a decision contemplated in section 60.

(2) A proxy appointment –
  - (a) must be in writing, dated and signed by the shareholder; and
  - (b) Remains valid for –
    - (i) one year after the date on which it was signed; or
    - (ii) any longer or shorter period expressly set out in the appointment, unless it is revoked in a manner contemplated in sub-section (4) (c), or expires earlier as contemplated in sub-section (8) (d).

(3) Except to the extent that the Memorandum of Incorporation of a company provides otherwise –
  - (a) a shareholder of that company may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by the shareholder;
  - (b) a proxy may delegate the proxy’s authority to act on behalf of the shareholder to another person, subject to any restriction set out in the instrument appointing the proxy; and
  - (c) a copy of the instrument appointing a proxy must be delivered to the company, or to any other person on behalf of the company, before the proxy exercises any rights of the shareholder at a shareholder’s meeting.

(4) Irrespective of the form of instrument used to appoint a proxy –
  - (a) the appointment is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder;
  - (b) the appointment is revocable unless the proxy appointment expressly states otherwise; and
  - (c) if the appointment is revocable, a shareholder may revoke the proxy appointment by: –
    - (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and
    - (ii) delivering a copy of the revocation instrument to the proxy, and to the Company.

Notice of annual general meeting

continued

(5) The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of –

(a) the date stated in the revocation instrument, if any; or

(b) the date on which the revocation instrument was delivered as required in sub-section (4)(c)(ii).

(6) A proxy is entitled to exercise, or abstain from exercising, any voting right of the shareholder without direction, except to the extent that the instrument appointing the proxy otherwise provides.

Any shareholder of the Company who completes and lodges a form of proxy will nevertheless be entitled to attend and vote in person at the general meeting should he/she decide to do so.

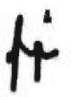
Dematerialised shareholders of the Company, other than "own name" dematerialised shareholders of the Company, who have not been contacted by their Participant or broker with regard to how they wish to cast their votes, should contact their Participant or broker and instruct their Participant or broker as to how they wish to cast their votes at the Company's annual general meeting in order for their Participant or broker to vote in accordance with such instructions. If such dematerialised shareholders of the Company wish to attend the Company's annual general meeting in person, they must request their Participant or broker to issue the necessary Letter of Representation to them. This must be done in terms of the agreement entered into between such dematerialised shareholders of the Company and the relevant Participant or broker. If your Participant or broker does not obtain instructions from you, they will be obliged to act in terms of your mandate furnished to them.

The posting record date, being the date recorded in the register to be eligible to receive this notice of annual general meeting is Thursday, 15 June 2017.

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

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

By Order of the Board



G Simpson
Company Secretary

Cape Town

20 June 2017

Registered office:
6th Floor, Claremont Central, 8 Vineyard Road,
Claremont, 7700
(PO Box 45040, Claremont, 7735)

Transfer secretaries:
Link Market Services South Africa (Pty) Ltd,
13th floor, Rennie House, 19 Ameshoff Street,
Braamfontein, 2004
(PO Box 4844, Johannesburg, 2001)

Form of proxy

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")

For use of ordinary shareholders who are:

Registered as such and who have not dematerialised their RAC ordinary shares; or 2. Hold dematerialised RAC ordinary shares in their "own name" at the RAC annual general meeting to be held at the Southern Sun Newlands, 7 Main Road, Newlands, Cape Town on Wednesday, 26 July 2017 at 11:00.

Dematerialised shareholders holding shares other than with "own name" registration, must inform their Participant or broker of their intention to attend the annual general meeting and request their Participant or broker to issue them with the necessary letter of representation to attend the annual general meeting in person and vote or provide their Participant or broker with their voting instructions should they not wish to attend the annual general meeting in person. These shareholders must not use this form of proxy.

I/We (please print name in full) ______________________________

of (address) ______________________________

being a shareholder(s) of RAC and holding ______________ ordinary shares hereby appoint (name in block letters)

1. ______________________________ or failing him

2. ______________________________ or failing him

3. the chairman of the annual general meeting as my/our proxy to act for me/us at the annual general meeting which will be held on Wednesday, 26 July 2017 at 11:00 at the Southern Sun Newlands, 7 Main Road, Newlands, Cape Town for the purposes of considering and, if deemed fit, passing with or without modification, the resolutions to be proposed thereat and at each adjournment or postponement thereof, and to vote for and/or against the resolutions and/or abstain from voting in respect of the shares in the issued share capital of the Company registered in my/our name(s) (see note 2).

	Number of votes (one per share)		
	In favour of	**Against**	**Abstain**
Special resolution 1 Approval of the independent non-executive directors' remuneration			
Ordinary resolution 1 Approval of the annual financial statements			
Ordinary resolution 2 To confirm the appointment of the auditors			
Ordinary resolution 3 To elect as independent non-executive director JG Swiegers			
Ordinary resolution 4 To elect as independent non-executive director Z Matlala			
Ordinary resolution 5 To elect JG Swiegers as member of the Audit and Risk Committee			
Ordinary resolution 6 To elect Z Matlala as member of the Audit and Risk Committee			
Ordinary resolution 7 To elect T Rossini as member of the Audit and Risk Committee			

Please indicate with an "X" in the appropriate spaces above how you wish your votes to be cast.
Unless otherwise instructed, my/our proxy may vote as he/she thinks fit.

Signed at ______________ on ______________ 2017

Signature ______________________________

Assisted by (where applicable) ______________________________

Number of shares ______________________________

Each shareholder is entitled to appoint one or more proxies (who need not be a shareholder of the Company) to attend, speak and vote in place of that shareholder at the annual general meeting.

Please read the notes on the reverse side hereof.

Notes to the proxy form

1. A shareholder may insert the name or names of two alternative proxies of the shareholder's choice in the space provided, with or without deleting "the chairman of the annual general meeting" but any such deletion must be initialled by the shareholder.
2. A shareholder's instruction to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the space provided. Failure to comply with the above will be deemed to authorise the proxy to vote or abstain from voting at the annual general meeting as he deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or his proxy is not obliged to use all the votes exercisable by the shareholder or his proxy, or cast them in the same way.
3. Any alteration or correction made to this form must be initialled by the signatory/ies.
4. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form unless previously recorded by the transfer secretaries or waived by the chairman of the annual general meeting.
5. The completion and lodging of this form will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms thereof, should such shareholder wish to do so.
6. The chairman of the annual general meeting may reject or accept any form of proxy which is completed and/or received other than in accordance with these instructions, provided that he is satisfied as to the manner in which a shareholder wishes to vote.
7. A minor must be assisted by his/her parent/guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Company.
8. Where there are joint holders of any shares:
   - any one holder may sign this form of proxy;
   - the vote(s) of the senior shareholders (for that purpose seniority will be determined by the order in which the names of shareholders appear in the Company's register of shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).
9. Forms of proxy must be lodged with or posted to the Company's Transfer Secretaries to be received by 11:00 on Monday, 24 July 2017.

Invitation to
Annual Shareholders' meeting with
executive directors

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")

All registered shareholders are cordially invited to attend the Annual Shareholders' meeting with the executive directors. The meeting will be held immediately following the formal General Meeting at the Southern Sun Newlands, 7 Main Road, Newlands, Cape Town on 26 July 2017 at approximately 11:00.

At the meeting the Chairman will address all shareholders on the investment operations of RAC and will also afford shareholders the opportunity to pose any questions they may have. All shareholders are encouraged to be present.

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

1. **Email:** guy.simpson@recm.co.za
2. **Fax:** (021) 674 1021 (Attention: G Simpson)
3. **Mail:** PO Box 45040, Claremont, 7735 (Attention: G Simpson)

G Simpson
Company Secretary

NOTICE OF INTENTION TO BE PRESENT AT THE MEETING

I, ______________________________ , being an ordinary/preference shareholder of RECM and Calibre Limited intend being present at the meeting to be held at the Southern Sun Newlands, 7 Main Road, Newlands, Cape Town on Wednesday, 26 July 2017 at approximately 11:00.

Signed: ______________________________

Date: ______________________________

Should you wish to receive documents electronically, please insert your email address below:

Email: ______________________________

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 (*Non-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.)

REGISTERED OFFICE AND BUSINESS ADDRESS
6th Floor, Claremont Central
8 Vineyard Road
Claremont
Cape Town, 7700

POSTAL ADDRESS
PO Box 45040
Claremont
7735

TELEPHONE NUMBER
(021) 657 3440

EMAIL ADDRESS
info@recm.co.za

WEBSITE
www.racltd.co.za

AUDITORS
Ernst & Young Inc.
Waterway House
3 Dock Road
V&A Waterfront
Cape Town 8001
(PO Box 656, Cape Town, 8000)

SPONSOR
Questco (Pty) Ltd
1st Floor, Yellowwood House
Ballywoods Office Park
33 Ballyclare Drive
Bryanston 2021
(PO Box 98956, Sloane Park, 2152)

TRANSFER SECRETARIES
Link Market Services South Africa (Pty) Ltd
13th floor, Rennie House
19 Ameshoff Street
Braamfontein, 2004
(PO Box 4844, Johannesburg, 2001)

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

ATTORNEYS
Cliffe Dekker Hofmeyr
11 Buitengracht Street
Cape Town, 8001, South Africa
(PO Box 695, Cape Town, 8000)

FINANCIAL SERVICES PROVIDERS
Regarding Capital Management (Pty) Ltd
RAC Advisory (Pty Ltd
6th Floor, Claremont Central
8 Vineyard Road
Claremont
Cape Town, 7700
(PO Box 45040, Claremont, 7735)