

RAC

RECM AND CALIBRE

INTEGRATED ANNUAL REPORT

2017

Contents

	Page
Company profile	1
Board of directors	2
Shareholders' letter	3
Corporate governance	12
Board of directors	12
Internal controls	12
Audit and Risk Committee	13
Nomination and Remuneration Committee	13
Social and Ethics Committee	13
Going concern	13
Company secretary and professional advice	13
Auditor independence	13
Annual general meeting	14
Sustainability	14
Other matters of interest to stakeholders	14
Annual financial statements for the year ended 31 March 2017	15
Notice of the annual general meeting	50
Corporate information	54
Form of proxy	<i>Attached</i>
Invitation to Shareholders' meeting with executive directors	<i>Attached</i>
Notice of intention to be present at the Shareholders' meeting with executive directors	<i>Attached</i>

Company profile

RECM and Calibre Limited (“RAC”) was established in 2009 as a joint venture between Regarding Capital Management Proprietary Limited (“RCM”) (a fund manager) and Calibre Capital (RF) Proprietary Limited (“Calibre”) (a private equity firm). The listing of the non-cumulative redeemable participating preference shares (JSE share code: “RACP”) was successfully completed in June 2010. RCM, Calibre and RAC are all controlled by the same principals, namely Theunis De Bruyn, Piet Viljoen and Jan van Niekerk.

INVESTMENT OBJECTIVE

RAC makes long-term investments, with the objective of generating high real returns from capital appreciation, investment income or both. We will achieve this through the acquisition of assets where size, liquidity, regulations or complexity act as a deterrent to most buyers. Our preference is to partner with good management teams of good businesses for long periods of time, but we will make ad hoc investments from time to time.

RISK MANAGEMENT

RAC believes the best way to manage risk is to build a large margin of safety into the price paid when assets are acquired. Such a margin of safety may consist of a price far below intrinsic value or alternatively, it may reside in the high quality nature of the asset acquired. The quality of an asset is normally determined by factors including significant barriers to entry, the sustainability of these barriers and good management.

INVESTMENT UNIVERSE

RAC has a very broad investment universe, and is able to invest in any asset (public or private) in any geography (both inside and outside South African borders). We believe our broad universe to be a significant competitive edge. However, we prefer to stick to areas in which we have a high level of competence in analysing the situation.

STRUCTURE

RAC is funded through the issue of two types of securities, ordinary shares and participating preference shares. The ordinary shares are unlisted, while the participating preference shares are listed on the JSE. The economic interests of the ordinary and participating preference shares are exactly the same, although only the ordinary shares have voting power (except in certain special situations, which are more fully explained in the pre-listing statement and Memorandum of Incorporation, available at www.racltd.co.za).

INVESTMENT MANAGEMENT

The investment management function of RAC has been outsourced to two investment managers, being RAC Advisory Proprietary Limited and Regarding Capital Management Proprietary Limited (for purposes of this report, collectively ‘RECM’), under discretionary mandates. Both RAC Advisory and Regarding Capital Management are controlled by Piet Viljoen, Theunis de Bruyn and Jan van Niekerk.

RAC is a long-term investment Company and all operational and administrative functions have been outsourced to RECM, RAC does not employ any staff.

RECM thus performs:

1. An investment management function for RAC according to RAC’s specific mandate; and
2. Administrative and accounting functions on behalf of RAC.

All remaining content of this report should be read in this context. For the avoidance of doubt, where any reference is made to a function performed by the Company, other than a function performed by the Board or the Company itself, it should be read and understood that that function was performed by RECM as described above.

Board of directors

PIETER GERHARDT VILJOEN (54)

Executive Chairman

BCom (Hons), CFA

Appointed: 24 June 2009

Mr Viljoen started out as a lecturer at the University of Pretoria, and subsequently joined SARB as an economic analyst. He joined Allan Gray Investment Counsel in 1991 as a portfolio manager and later moved onto Investec Asset Management in 1995. He founded Regarding Capital Management (Pty) Ltd in 2003 and is currently Chairman of RECM.

THEUNIS DE BRUYN (49)

Executive Director (Non-Executive from 1 April 2017)

CA(SA)

Appointed: 24 June 2009

After serving articles at Ernst & Young, Mr de Bruyn joined Ford SA as assistant treasurer. From there he joined Huysamer Stals stockbroking firm (thereafter sold to ABN AMRO) where he later headed up research. Mr de Bruyn is the founder and managing director of Calibre Capital (Pty) Ltd. He is also a founding shareholder of RECM.

JOHANNES CORNELIS VAN NIEKERK (42)

Executive Financial Director

Hons BCom (Maths), FIA, CFA

Appointed: 6 May 2013

Mr van Niekerk is a qualified actuary with more than 19 years of industry experience. He served as Chief Investment Officer of Citadel, the South African wealth manager, after which he became CEO of Peregrine Holdings, a JSE-listed financial services firm. Mr van Niekerk joined Regarding Capital Management (Pty) Ltd in April 2013 as owner and CEO.

JOHANNES GERHARDUS SWIEGERS (62)

Independent Non-Executive Director

Hons BAcc, BCom (Hons) (Taxation), CA(SA)

Appointed: 10 November 2010

After qualifying as a chartered accountant, Mr Swiegers has served as a partner of predecessor firms of PricewaterhouseCoopers from 1984 to 1994 setting up the tax practice of the firm in the Western Cape. He joined Remgro Ltd as Investment Manager, serving on various Boards and Audit Committees of listed and unlisted companies in the portfolio of Remgro Ltd. He served as CFO for Mediclinic International Ltd from 1999 to 2010.

ZANELE MATLALA (54)

Independent Non-Executive Director

BCompt (Hons), CA(SA)

Appointed: 1 December 2014

Zanele is the Chief Executive Officer of Merafe Resources. Before joining Merafe, she was Group Financial Director of Kagiso Investments (Pty) Ltd, a position she held from January 2006. Her first appointment as Chief Financial Officer was at the Development Bank of Southern Africa (DBSA), where she served as Executive Manager: Private Sector and International. She joined the DBSA from the IDC, where she was head of Wholesale Venture Capital Funds. She is also a non-executive director of Dipula Income Fund, Stefanutti Stocks Holdings and Business Partners Ltd. Zanele also serves as a trustee of the RECM Foundation.

TRENT ROSSINI (49)

Independent Non-Executive Director

Bsc (Mech) Engineering, GDE (Industrial Engineer)

Appointed: 1 December 2014

Trent has 24 years of industry experience across a variety of industries. His early career included roles at both Accenture and Deloitte Consulting. He then joined Internet Solutions to head up their security division and subsequently served in the role of Business Solutions Director. Trent joined the Discovery group in 1999 to head up their e-commerce initiatives and subsequently served in the role of Chief Information Officer for Discovery Health. He was instrumental in the set-up of the Joint Venture with PruHealth where he became Chief Operating Officer. In 2010, Trent left Discovery and co-founded inQuba, a business which is focused on customer experience management and customer engagement, where he serves as Chief Operating Officer.

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.

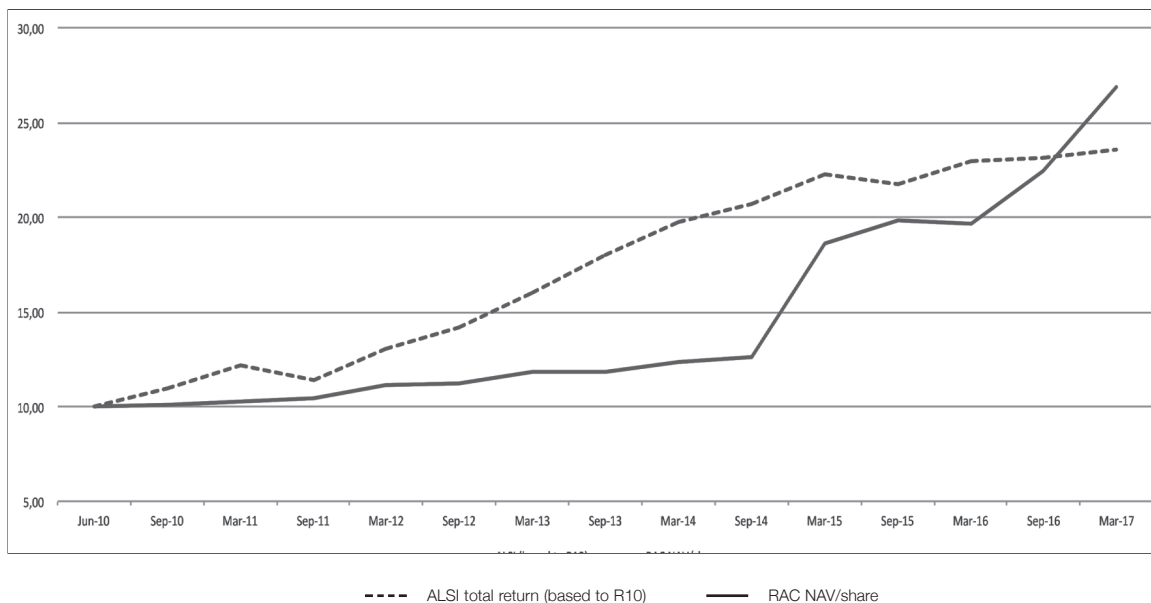
The past financial year has been a good one for your company. We have managed to allocate more capital to our core group of companies – businesses with good management where we have control, or at least significant influence. We have also managed to profitably reduce exposure to the investments where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



Shareholders' letter

continued

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	% Ownership	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.

Shareholders' letter

continued

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	Mar 2016	Mar 2017
	(Rmn)	(Rmn)	(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

Shareholders' letter

continued

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.*

Shareholders' letter

continued

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 KVV), 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 KVV) sold the operating assets of KVV 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.*

Shareholders' letter

continued

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.

Shareholders' letter

continued

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 with this annual report, and we would appreciate it if you would let us know whether you will be attending.



Piet Viljoen
Chairman

Cape Town
20 June 2017



Jan van Niekerk
Executive Financial Director

Corporate governance

RAC continues to, and will always, be committed to the highest standards of corporate governance. RAC has no employees and all of its investment and operational functions are performed by RECM. For this reason there is no need for the Company to appoint a CEO. However, RECM does have an appointed CEO.

The Board of Directors supports the King Report on Corporate Governance ("King Code"). Good corporate governance is an integral part of RAC's business (and investment) philosophy. The values espoused in this philosophy will govern the way in which RAC interacts with all its stakeholders and stresses the importance of good corporate citizenship, integrity, transparency and accountability. Accordingly, RAC aims to comply with the provisions and the spirit of the King Code to the extent that these are practical and appropriate. RAC has published a register on its website (www.racltd.co.za), which covers the principles of the King Code and provides a narrative statement as to how each principle has been applied or why and to what extent a particular principle has not been applied.

BOARD OF DIRECTORS

RAC has a unitary board. The Board is chaired by Executive Chairman, Piet Viljoen. Despite the requirements of King Code, the Board is of the view that he is best placed to lead the Company. Gerhard Swiegers, who currently serves as Chairman of the Audit and Risk Committee, is the Lead Independent Director. He will, *inter alia*, provide leadership to the Board should the Chairman have a conflict of interest.

As of 31 March 2017, the Board of RAC comprised six directors with an appropriate balance of executive and non-executive directors, with one director being female. The Board supports the principles and aims of appropriate gender diversity. The directors selected are individuals of the highest calibre and credibility, and have the necessary skills and experience to make a meaningful contribution to the business of the Company and there is a clear division of responsibilities between directors. There exists a clear balance of power and authority at Board level ensuring that no one director has unfettered powers of decision-making.

Ongoing education ensures that directors are kept informed of industry developments and international best practices. Upon appointment, the staff at RECM provide an introductory programme to all independent non-executive directors. The aim of the programme is to acquaint the directors with a detailed understanding of the roles, operations and regulatory framework in existence within RECM so that they may better understand the manner in which the investment portfolio of the Company is being managed.

The directors have a duty and responsibility to ensure that the principles set out in King Code are observed as are practical and appropriate. The directors have a fiduciary duty to act in good faith, with due diligence and care and in the best interests of the Company and all stakeholders. The Board of Directors accepts these duties and responsibilities.

During the year under review four meetings were held.

Name of member	25 May 2016	18 Oct 2016	18 Nov 2016	22 Feb 2017
Piet Viljoen (<i>Chairman</i>)	Present	Present	Present	Present
Theunis de Bruyn	Present	Present	Present	Present
Jan van Niekerk	Present	Present	Present	Present
Gerhard Swiegers	Present	Present	Present	Present
Zanele Matlala	Present	Present	Present	Present
Trent Rossini	Present	Present	Present	Present

The Company Secretary and other persons attend meetings of the Board by invitation.

INTERNAL CONTROLS

Based on the results of

- the latest available formal review of the internal controls in existence and
- system of risk management within RECM and its back-office administrator, including the design, implementation and effectiveness of the internal financial controls and
- considering information and explanations given by management of RECM and discussions with the external auditor on the results of the audit, assessed by the Audit and Risk Committee,

nothing has come to the attention of the Board that caused it to believe that the Company's system of internal controls and risk management is not effective and that the internal financial controls do not form a sound basis for the preparation of reliable financial statements.

Corporate governance

continued

AUDIT AND RISK COMMITTEE

The Company has an Audit and Risk Committee comprising independent non-executive directors, Gerhard Swiegers (*Chairman*), Zanele Matlala and Trent Rossini. A detailed report by the Audit and Risk Committee is set out on page 18.

NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee currently comprises Piet Viljoen and Gerhard Swiegers. The Committee met once during the period. RAC has combined its Nomination Committee and Remuneration Committee into a single Committee given the simple structure of the Company's business. RAC has no employees, CEO or senior management to remunerate and has only independent directors that receive remuneration. Further, RAC appoints skilled directors not requiring mentoring and any training requirements are delegated to the Company Secretary or Executive Financial Director. The appointment of a single committee, and consequentially the composition of this committee, is not in line with the King Code best practice recommendations, however the JSE has granted RAC exemption from the mandatory compliance with these King Code principles, as set out in paragraph 3.84(d) of the JSE's Listings Requirements, as far as they relate to the appointment and composition of a Nomination Committee and a Remuneration Committee, respectively.

The Nomination and Remuneration Committee considers and recommends future appointments to the Board. Despite the fact that the Company has no employees, this Committee considers remuneration matters pertaining to independent non-executive directors. Independent non-executive directors are entitled to receive fees for their services as directors of the Board and for other services as disclosed.

SOCIAL AND ETHICS COMMITTEE

The Company has a Social and Ethics Committee comprising Trent Rossini, Piet Viljoen and Jan van Niekerk. The Committee met once during the period. The Committee reports to Shareholders that the directors have considered their individual and collective ethical performance and are satisfied that they have acted in an appropriate manner in regard to the business of RAC. No independent assurance as to ethical performance has been undertaken and no independent opinion in this regard has been expressed. The Committee is satisfied that RAC considers the relevant social and ethical matters in its initial and ongoing evaluation of its investee companies. In the instances where RAC has control, RAC will further undertake to exercise oversight of the social and ethical matters as may be relevant to the activities of the controlled entity.

GOING CONCERN

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

COMPANY SECRETARY AND PROFESSIONAL ADVICE

All directors have unlimited access to the services of the Company Secretary, who in turn has access to appropriate resources within RECM in the provision of this support. During the financial year, the Board assessed the performance of the Company Secretary and remains satisfied as to the experience and expertise of the Company Secretary. The Company Secretary is not a director and maintains an arm's length relationship with the Board of the Company.

All directors are also entitled to seek independent professional advice with regard to the affairs of the Company.

AUDITOR INDEPENDENCE

The financial statements have been audited by the independent auditors, Ernst & Young Inc.. The Board, supported by the Audit and Risk Committee, has no reason to believe that Ernst & Young Inc. has not at all times acted with unimpaired independence.

Corporate governance

continued

ANNUAL GENERAL MEETING

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

In terms of the Memorandum of Incorporation of the Company, the preference shareholders are not entitled to be present at the meeting unless there are preference share dividends which remain unpaid for a period of six months or a resolution is proposed which directly affects the rights attached to the preference shares or the interests of the preference shareholders. As mentioned below, there is a Chairman's meeting for preference shareholders.

SUSTAINABILITY

RECM adheres to the "Code for Responsible Investing in South Africa" (CRISA). RECM conducts its affairs against a decision-making framework that evaluates the significant and relevant aspects of an investment, before making a decision. These would include considering the risk of permanent capital loss by evaluating the legality of the affairs of the venture, including social and environmental aspects. The Board has satisfied itself that RECM adheres to the Code for Responsible Investing in South Africa.

RECM places great emphasis on transparent and comprehensive reporting – it forms the basis of their investment decisions. RECM recognises that good governance reduces the investment risk. RECM takes environmental sustainability and governance issues into account in establishing the fair value of an investee Company on a case by case basis.

RECM communicates its views on sustainability with directors and management of the investee companies and re-enforces these views by voting on resolutions where possible.

Due to the Company structure, the extent of sustainability reporting is limited to the above activities.

OTHER MATTERS OF INTEREST TO STAKEHOLDERS

The Company is run independently, with the Board establishing the Company policies, governance and risk management practices.

The Company does not make use of any information technology, but relies on the systems and resources of and utilised by RECM. While there is no specific governance relating to information technology, the Board does consider the risks related to the information technology utilised by RECM as a component of their overall review of RECM.

Other than the express support of the King Code, mentioned on page 12 and accounting standards mentioned in the notes, the Company does not subscribe to any other rules, codes or standards on a voluntary basis.

Dealings with preference shareholders are conducted, *inter alia*, by way of an annual meeting with the executive directors during which shareholders are invited to interact with the executive directors on any other matter of relevance. Shareholders may also contact the Company at other times by various means as detailed at the back of this document or on the Company's website. The Company may not always be able to disclose the specific shares held in the investment portfolio of the Company as this may be prejudicial to the investment strategy being pursued by the Investment Managers.

Audited Annual Financial Statements

The reports and statements set out below comprise the annual financial statements presented to the shareholders:

	Page
Directors' responsibilities and approval	16
Certificate by Company Secretary	17
Report of the Audit and Risk Committee	18
Independent auditors' report	20
Directors' report	23
Statement of financial position	24
Statement of comprehensive income	25
Statement of changes in equity	26
Statement of cash flows	27
Notes to the annual financial statements	28

Directors' responsibilities and approval of the annual financial statements

for the year ended 31 March 2017

The directors are required in terms of the Companies Act of South Africa to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the Company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements, the requirements of the Companies Act of South Africa, the framework, measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

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

The directors are satisfied that the Company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The Board of Directors is responsible for the financial affairs of the Company.

The external auditors are responsible for independently reviewing and reporting on the Company's annual financial statements. The annual financial statements have been examined by the Company's external auditors and their report is presented on page 20.

The annual financial statements set out on pages 23 to 49, which have been prepared on the going concern basis, were approved by the Board of Directors on 20 June 2017 and were signed on their behalf by:



Piet Viljoen
Executive Chairman



Jan van Niekerk
Executive Financial Director

Certificate by Company Secretary

The Company Secretary hereby certifies, in compliance with section 88(2)(e) of the Companies Act of South Africa, as amended, that all returns required have been lodged with the Companies and Intellectual Property Commission and that all such returns are true, correct and up to date.



G Simpson

Company Secretary

20 June 2017

Claremont

Report of the Audit and Risk Committee

for the year ended 31 March 2017

This report, in respect of the financial year ended 31 March 2017, is presented by the Company's Audit and Risk Committee appointed by the ordinary shareholders.

The Audit and Risk Committee is an independent statutory committee appointed by the ordinary shareholders. Further duties, other than statutory duties, are delegated to the Audit and Risk Committee by the Board of Directors of the Company. This report includes both these sets of duties and responsibilities.

1. AUDIT AND RISK COMMITTEE TERMS OF REFERENCE

The Audit and Risk Committee has adopted and frequently reviews formal terms of reference that were approved by the Board of Directors. The Committee has conducted its affairs in compliance with its terms of reference and has discharged its responsibilities contained therein.

2. AUDIT AND RISK COMMITTEE MEMBERS, MEETING ATTENDANCE AND ASSESSMENT

The Audit and Risk Committee is independent and consists of three independent, non-executive directors who are suitably skilled and experienced. The Committee is chaired by Gerhard Swiegers who is a Chartered Accountant. It met on four occasions during the financial year. The Committee will meet at least three times per year in future as per its terms of reference.

Name of member	25 May 2016	18 Oct 2016	11 Nov 2016	22 Feb 2017
Gerhard Swiegers (<i>Chairman</i>)	Present	Present	Present	Present
Zanele Matlala	Present	Present	Present	Present
Trent Rossini	Present	Present	Present	Present

The effectiveness of the Audit and Risk Committee and its individual members are assessed on an annual basis. The Chairman of the Board, Financial Director, Executive Directors, external auditor and executives of RECM attend meetings by invitation.

3. ROLE AND RESPONSIBILITIES

The Audit and Risk Committee's role and responsibilities include responsibilities assigned to it by the Board, as well as statutory duties per the Companies Act of South Africa.

The Audit and Risk Committee executed its duties in terms of the requirements of King Code.

4. EXTERNAL AUDITOR APPOINTMENT AND INDEPENDENCE

The Audit and Risk Committee has satisfied itself that the external auditor was independent of the Company, which includes consideration of previous appointments of the auditor, the extent of other work undertaken by the auditor for the Company and compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors. Requisite assurance was sought and provided by the auditor that internal governance processes within the audit firm support and demonstrate its claim to independence.

The Committee ensured that the appointment of the auditor complied with the Companies Act.

The Committee, in consultation with executive management, agreed to the engagement letter, terms, audit plan and audit fees for the 2017 year.

The Committee approves the nature and extent of non-audit services that the external auditor may provide the Company.

The Committee has nominated, for election at the annual general meeting, Ernst & Young Inc., as the external audit firm and MP Rapson as the designated auditor responsible for performing the functions of the auditor, for the 2018 year. The Audit and Risk Committee has satisfied itself that the audit firm and designated auditor are accredited as such on the JSE list of auditors and their advisors.

Report of the Audit and Risk Committee

continued

for the year ended 31 March 2017

5. FINANCIAL STATEMENTS AND ACCOUNTING PRACTICES

The Audit and Risk Committee has reviewed the accounting policies and the financial statements of the Company and is satisfied that they are appropriate and comply with International Financial Reporting Standards.

6. INTERNAL FINANCIAL CONTROLS

The Audit and Risk Committee has evaluated reports on the effectiveness of the Company's system of internal controls and risk management as performed by RECM. The Board Report on the effectiveness of the system of internal controls is included in the Directors' Responsibilities and Approval on page 16 of the Integrated Annual Report. The Audit and Risk Committee supports the opinion of the Board in this regard.

7. GOING CONCERN

The Audit and Risk Committee has reviewed a documented assessment, including key assumptions, prepared in respect of the going concern status of the Company and has made recommendation to the Board in accordance. The Board's statement on the going concern status of the Company, as supported by the Audit and Risk Committee, is stated in the Directors' Responsibilities and Approval on page 16 of the Integrated Annual Report.

8. GOVERNANCE OF RISK

The Board has assigned oversight of the Company's risk management function to the Audit and Risk Committee. The Committee considered the risk management policy and plan as well as the risk management process as performed by RECM. Other than the risk of capital loss as it relates to the practice of investing, the Board has not identified any risks that may threaten the long-term sustainability of the Company. The Committee is satisfied that all of the major risks associated with an investment company have been identified and that all of the controls are in place to manage these risks.

9. INTERNAL AUDIT AND COMPLIANCE

The Audit and Risk Committee relies on RECM and its service providers to perform the internal audit function, albeit in different formats. Furthermore, the Committee oversees cooperation between RECM staff and external auditors, and serves as a link between the Board of Directors and these functions.

The Audit and Risk Committee is satisfied that it complied with its legal, regulatory or other responsibilities.

10. INTERNAL FINANCIAL AND ACCOUNTING CONTROL

The Audit and Risk Committee has satisfied itself that the Financial Director has appropriate expertise and experience.

The Audit and Risk Committee has considered, and has satisfied itself of the appropriateness of the expertise and adequacy of resources of the finance function and experience of the senior members of RECM management responsible for the financial function.

Interim results and preliminary results are published after the September half-year and March full year-end.

The Committee is satisfied that it has complied with all its legal, regulatory and other responsibilities during the year under review.



Gerhard Swiegers

Chairman of the Audit and Risk Committee

20 June 2017

Independent auditors' report to the shareholders of RECM and Calibre Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of RECM and Calibre Limited set out on pages 24 to 49, which comprise the statement of financial position as at 31 March 2017, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 2017, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code), the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (IESBA Code) and other independence requirements applicable to performing the audit of RECM and Calibre Limited. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code, IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of RECM and Calibre Limited. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Independent auditors' report to the shareholders of RECM and Calibre Limited

continued

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
<p>1. Fair value estimation of unlisted financial instruments</p> <p>As more set out in note 1.1 to the financial statements, the directors have assessed that RECM and Calibre Limited (RAC) meets the definition of an Investment Entity in terms of International Financial Reporting Standard 10 – Consolidated Financial Statements (IFRS10).</p> <p>IFRS 10 requires that a parent that is an Investment Entity shall not present consolidated financial statements and is required to measure all of its qualifying subsidiaries at fair value through profit and loss.</p> <p>The entity is therefore required in terms of IFRS 10 to measure its subsidiary, RAC Investment Holdings (Proprietary) Limited (RIH) at fair value through profit or loss. RIH is also an Investment Entity and holds financial instruments at fair value.</p> <p>The fair value of the financial instruments held by RIH that are not traded in an active market is determined using valuation techniques which require significant judgement regarding estimates and sources of uncertainty. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period to determine the fair value of these financial instruments.</p> <p>Given the level of judgement involved in estimating the fair value of the unlisted financial instruments, the sensitivity to assumptions and various unobservable valuation inputs and the quantitative significance of these fair value estimates, we consider the fair value estimation of unlisted financial instruments to be a key audit matter.</p> <p>The disclosures relating to the valuation of the financial instruments are presented in Note 3.</p>	<p>Our audit included the following procedures:</p> <ul style="list-style-type: none"> • Through enquiry we gained an understanding and assessed the suitability of the overall control environment implemented by management to determine fair values; • Given the significance of the unlisted financial instruments in RAC and within RIH we performed the following procedures in respect of the unlisted financial instruments with the assistance of our valuation experts on selected aspects: <ul style="list-style-type: none"> – We assessed valuation techniques and methodologies applied against generally accepted market practice and guidelines – We compared assumptions and inputs used to independent sources and benchmarks, where available, and performed analytical procedures and where key assumptions and inputs were unobservable, we used our valuation experts in aspects of these assessments – We re-computed the valuations, where applicable, using the selected methodology and assessed the accuracy thereof – We evaluated the overall reasonableness of the valuations – We inspected the disclosures in the financial statements in relation to the valuation of financial instruments for compliance with the relevant accounting requirements.

Other information

The directors are responsible for the other information. The other information comprises the Directors' report, the Report of the Audit and risk committee and the Certificate by Company Secretary as required by the Companies Act of South Africa, and the Company Profile, Board of Directors, Shareholders' Letter, Corporate Governance, Directors' responsibilities and approval of the financial statements, Notice of annual general meeting and Corporate Information which we obtained prior to the date of this report. Other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Independent auditors' report to the shareholders of RECM and Calibre Limited

continued

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

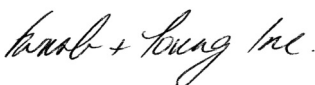
We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Ernst & Young Inc. has been the auditor of RECM and Calibre Limited for 4 years.



Ernst & Young Inc.

Director: Malcolm Rapson
Registered Auditor
Chartered Accountant (SA)

Waterway House
3 Dock Road
V&A Waterfront
Cape Town

20 June 2017

Directors' report

for the year ended 31 March 2017

The directors submit their report for the year ended 31 March 2017.

1. REVIEW OF ACTIVITIES

Main business and operations

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

The operating results and state of affairs of the Company are fully set out in the attached annual financial statements and do not in our opinion require any further comment. RAC has adopted NAV per share as its primary indicator of performance and accordingly trading statements are published based on the movement of RAC's NAV per share.

Net profit of the Company was R391 185 766 (2016: R136 078 122), after taxation of R50 208 (2016 credits: R8 278 565).

2. GOING CONCERN

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

3. EVENTS AFTER THE REPORTING PERIOD

For disclosure relating to events subsequent to the reporting period, please refer to note 23 of the annual financial statements.

4. DIRECTORS' SHAREHOLDING

Shareholding of directors, directly and indirectly as at 31 March 2017 are:

	Ordinary shares				Preference shares			
	2017 Number	2017 %	2016 Number	2016 %	2017 Number	2017 %	2016 Number	2016 %
Theunis de Bruyn	–	–	1 250 001	25,00	1 711 603	3,61	1 147 700	2,55
Piet Viljoen	2 500 001	66,67	2 500 001	50,00	1 614 464	3,41	1 334 025	2,96
Jan van Niekerk	1 249 999	33,33	1 249 998	25,00	415 455	0,88	346 332	0,77
Trent Rossini	–	–	–	–	1 500 000	3,16	1 350 000	3,00
Gerhard Swiegers	–	–	–	–	80 000	0,17	80 000	0,17
Total	3 750 000	100,00	5 000 000	100,00	5 321 522	11,23	4 258 057	9,45

Directors' interests have not changed subsequent to year-end.

5. DIRECTORS' INTEREST IN CONTRACTS

Piet Viljoen and Jan van Niekerk are directors of Regarding Capital Management and RAC Investment Holdings (Pty) Ltd. Jan van Niekerk is a director of RAC Advisory (Pty) Ltd. RECM and Calibre Limited has appointed RECM to administer its affairs and to manage its investment portfolio. Piet Viljoen, Theunis de Bruyn and Jan van Niekerk control RECM.

6. AUTHORISED AND ISSUED SHARE CAPITAL

There were no changes in the authorised share capital of the Company during the year under review. The Company issued 2 400 000 preference shares and repurchased 1 250 000 of its ordinary shares.

7. DIVIDENDS

No dividends were declared or paid to shareholders during the year.

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	3	1 396 876 924	983 290 784
Current assets		2 681 458	1 381 153
Investments	3	2 409 514	–
Current tax receivable		223 307	–
Cash and cash equivalents	5	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	6	18 206 250	50 000 000
Share capital – preference shareholders	6	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	7	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	9	30 163 291	6 601 449
Operating expenses		(1 517 457)	(1 401 609)
Operating profit		28 645 834	5 199 840
Other income	10	–	93 094 588
Fair value gains on subsidiary	13	362 590 140	29 505 129
Profit before taxation		391 235 974	127 799 557
Taxation	11	(50 208)	8 278 565
Profit for the year		391 185 766	136 078 122
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
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	12	–	(79 950 251)
Total comprehensive income		391 185 766	56 127 871
Earnings and headline earnings per share			
<i>Per share information (ordinary and preference)</i>			
Basic and diluted earnings per share (cents)	14	765	272
Basic and diluted headline earnings per share (cents)	14	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

Notes

6

6

Statement of cash flows

for the year ended 31 March 2017

	Notes	2017 R	2016 R
Cash flows from operating activities			
Cash utilised in operations	15	(2 252 759)	(728 983)
Interest income		169 541	106 824
Dividends received		3 500 000	6 500 000
Tax paid	16	(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	5	48 637	1 381 153

Notes to the annual financial statements

for the year ended 31 March 2017

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 3. Notes 3.1 and 3.3 disclose the investment in RIH as required by IFRS and notes 3.2 and 3.4 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.

1. ACCOUNTING POLICIES – PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the Companies Act of South Africa and the Listings Requirements of the JSE Limited. The principal accounting policies applied in the preparation of the financial statements are set out below. They are presented in South African Rands.

These accounting policies have been applied consistently to all periods presented in these financial statements. The adoption of the new accounting standards and amendments to IFRS had no material impact on the results of either the current or prior year. Refer to 2.1.

1.1 Significant judgements and sources of estimation uncertainty

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

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).

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.

Notes to the annual financial statements

continued

for the year ended 31 March 2017

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.

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price.

The Company uses valuation techniques for unlisted financial instruments that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The directors are of the opinion that the carrying value of trade payables approximates their fair values due to their short-term nature.

Although estimates are based on management's best knowledge and judgement of current facts as at the reporting date, the actual outcome may differ from the estimates, possibly significantly.

1.2 Financial instruments

Financial instruments disclosed in the financial statements include cash and cash equivalents, investments, and trade and other payables. Financial instruments are initially recognised when the Company becomes party to the contractual terms of the instruments.

Classification

The Company classifies financial assets and financial liabilities into the following categories:

- Loans and receivables;
- Available-for-sale financial assets;
- Financial assets measured at fair value through profit or loss; and
- Financial liabilities measured at amortised cost.

Classification depends on the purpose for which the financial instruments were obtained or incurred and takes place at initial recognition.

Initial recognition and measurement

The Company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

The Company measures financial assets at fair value plus, in the case of financial assets not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

All purchases and sales of financial instruments are recognised at the trade date.

Notes to the annual financial statements

continued

for the year ended 31 March 2017

Subsequent measurement

Subsequent to initial recognition, financial instruments are measured as follows:

Loans and receivables

Loans and receivables are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. These instruments are carried at amortised cost using the effective interest method.

Financial assets measured at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss and financial assets which meet the definition of subsidiaries or associates.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of profit or loss.

Trade and other payables

Trade payables are subsequently measured at amortised cost, using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents are subsequently held at amortised cost.

Financial assets (or part thereof) are derecognised when the Company realises the rights to the benefits specified in the contract, or the Company surrenders or otherwise loses control of the contractual rights that comprises the financial asset. On derecognition, the difference between the carrying amount of the financial asset and proceeds receivable is recognised in profit or loss.

Financial liabilities (or part thereof) are derecognised when the Company's obligation specified in the contract is discharged or cancelled or has expired. On derecognition, the difference between the carrying amount of the financial liability, including related unamortised costs, and the amount paid for it is included in profit or loss.

Fair value determination

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Notes to the annual financial statements

continued

for the year ended 31 March 2017

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

1.3 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Tax liabilities or assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

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

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

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

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

Notes to the annual financial statements

continued

for the year ended 31 March 2017

1.4 Share capital and equity

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

Redeemable, participating, non-cumulative preference shares are classified as equity where the redemption is at the option of the Company and not the shareholders.

1.5 Revenue

Interest for all financial instruments measured at amortised cost is recognised using the effective interest rate.

Dividends are recognised when the Company's right to receive payment has been established.

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations effective or early adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Impact
Annual Improvements	1 January 2016	No material impact.
IFRS 10, IFRS 12 and IAS 28 – amendments	1 January 2016	No material impact.

2.2 Standards and interpretations not yet effective

The following new and revised IFRS statements, interpretations and amendments applicable to the Company have been issued but are not yet effective.

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected Impact
IFRS 9 – Financial Instruments	1 January 2018	IFRS 9 is not expected to have a material impact on the Company as we currently own one equity investment which will continue to be recognised at fair value through profit or loss.
IFRS 15 – Revenue Standard	1 January 2018	No material impact as the company earns interest and dividend income.

Notes to the annual financial statements

continued

for the year ended 31 March 2017

	2017 R	2016 R
3. 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 28 which explains the transfer of investments to RIH in the prior year.

Notes to the annual financial statements

continued

for the year ended 31 March 2017

3. INVESTMENTS (continued)

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.

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.

Notes to the annual financial statements

continued

for the year ended 31 March 2017

3. INVESTMENTS (continued)

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

Notes to the annual financial statements

continued

for the year ended 31 March 2017

3. INVESTMENTS (continued)

31 March 2017

3.1 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.

3.2 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 investments)	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 investments)	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			

Notes to the annual financial statements

continued

for the year ended 31 March 2017

3. INVESTMENTS (continued)

31 March 2016

3.3 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.

3.4 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 investments)	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 investments)	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.

Notes to the annual financial statements

continued

for the year ended 31 March 2017

4. FINANCIAL ASSETS BY CATEGORY

The categorisation of financial assets is as follows:

	Amortised cost R	Financial assets at fair value through profit or loss R	Total R
2017			
Cash and cash equivalents	48 637	–	48 637
Investments	–	1 399 286 438	1 399 286 438
	48 637	1 399 286 438	1 399 335 075
2016			
Cash and cash equivalents	1 381 153	–	1 381 153
Investments	–	983 290 784	983 290 784
	1 381 153	983 290 784	984 671 937
		2017 R	2016 R
5. CASH AND CASH EQUIVALENTS			
Cash and cash equivalents consist of:			
Bank balances		48 637	1 381 153
Credit quality of cash at bank and short-term deposits, excluding cash on hand			
The credit quality of cash at bank and short-term deposits can be assessed by reference to external ratings (if available) or historical information about counterparty default rates.			
Credit rating			
F1+ (Fitch)		48 637	1 381 153

Notes to the annual financial statements

continued

for the year ended 31 March 2017

	2017 R	2016 R
6. SHARE CAPITAL		
Authorised		
5 000 000 ordinary shares of R0,01 each	50 000	50 000
200 000 000 non-cumulative redeemable participating preference shares of no par value.	–	–
250 000 000 redeemable preference shares of no par value	–	–
The redeemable preference shares will have the rights and privileges, restrictions and conditions as determined by the Directors upon issue thereof, but which are intended to rank in priority to the participating preference shares, the perpetual preference shares and ordinary shares in respect of dividends and on winding up.		
1 500 000 000 perpetual preference shares of no par value	–	–
The perpetual preference shares will have the rights and privileges, restrictions and conditions as determined by the Directors upon issue thereof, but which are intended to rank in priority to the participating preference shares and ordinary shares in respect of dividends and on winding up.		
Issued		
3 750 000 (2016: 5 000 000) ordinary shares of R0,01 each	37 500	50 000
Share premium	18 168 750	49 950 000
	18 206 250	50 000 000
47 400 000 (2016: 45 000 000) non-cumulative redeemable participating preference shares	506 296 000	450 000 000
Reconciliation of shares		
Ordinary shares		
Opening balance	5 000 000	5 000 000
Share buy back *	(1 250 000)	–
Closing balance	3 750 000	5 000 000
Preference shares		
Opening balance	45 000 000	45 000 000
Share issue *	2 400 000	–
Closing balance	47 400 000	45 000 000

* Refer to note 24 for details on the share transactions in the current year.

Notes to the annual financial statements

continued

for the year ended 31 March 2017

6. SHARE CAPITAL (continued)

As at 31 March 2017, three million seven hundred and fifty thousand ordinary shares were in issue. The beneficial interests as at 31 March 2017 are shown below. The Company also had forty seven million four hundred thousand preference shares in issue. Shareholders with beneficial interests of 3% or greater are listed below:

Beneficial shareholder name	2017		2016	
	Number	%	Number	%
Ordinary shares				
Nicholas Viljoen Investment Company Proprietary Limited (PG Viljoen)	2 500 000	66,67	2 500 000	50
PG Viljoen	1	-	1	-
TATJ Investments Proprietary Limited (T de Bruyn)	-	-	1 250 001	25
Maximus Investments CC (JC van Niekerk)	1	-	-	-
TTOW Investments Proprietary Limited (JC van Niekerk)	1 249 998	33,3	1 249 998	25
Preference shares				
Coronation Capital Plus Fund	3 444 586	7,3	3 510 549	7,8
SBSA ITF RECM Global Flexible Fund	2 613 135	5,5	2 613 135	5,8
SBSA ITF Nedgroup Investments Balanced Fund	2 366 254	5,0	-	-
SBSA ITF Nedgroup Investment Managed Fund	2 180 260	4,6	4 500 000	10,0
Theunis de Bruyn	1 711 603	3,6	1 147 700	2,6
SBSA ITF Nedgroup Investment Stable Fund	1 640 000	3,5	1 752 334	3,9
Piet Viljoen	1 614 464	3,4	1 334 025	3,0
Sentinel Retirement Fund	1 599 400	3,4	228 489	0,5
TNT Trust (T Rossini)	1 500 000	3,2	1 350 000	3,0
Allan Gray Equity Fund	1 360 487	2,9	1 360 487	3,0

Public shareholders analysis

Security holders analysis	2017		2016	
	Number	%	Number	%
Ordinary shares				
Non-public	4	100,00	4	100,00
Preference shares				
Public	747	95,89	708	96,59
Non-public	32	4,11	25	3,41

	2017 R	2016 R
7. TRADE AND OTHER PAYABLES		
Trade payables	-	865 055
Audit fee payable	246 052	189 396
Directors' fee payable	522 998	449 901
	769 050	1 504 352

Trade and other payables are interest free and generally settled within 60 days.

Notes to the annual financial statements

continued

for the year ended 31 March 2017

	Financial liabilities at amortised cost R	Total R
8. FINANCIAL LIABILITIES BY CATEGORY		
2017		
Trade and other payables	769 050	769 050
	769 050	769 050
2016		
Trade and other payables	1 504 352	1 504 352
	1 504 352	1 504 352
	2017	2016
	R	R
9. REVENUE		
Dividend revenue		
Unlisted financial assets	29 993 750	6 500 000
Total dividend revenue	29 993 750	6 500 000
Interest revenue		
Bank	15 991	101 449
Financial assets	153 550	–
Total interest revenue	169 541	101 449
Total revenue	30 163 291	6 601 449
10. OTHER INCOME		
Reclassification of fair value gains through profit or loss on disposal of available-for-sale financial instruments	–	93 094 588
	–	93 094 588

Notes to the annual financial statements

continued

for the year ended 31 March 2017

	2017 R	2016 R	
11. TAXATION			
Major components of the tax expense			
Current			
Income tax – current period	50 208	27 923	
Income tax – prior period	–	7 745 795	
– capital gains tax	–	4 866 070	
– prior year assessments and interest	–	2 879 725	
Deferred			
Current period	–	(16 052 283)	
	50 208	(8 278 565)	
Reconciliation of the tax expense			
Reconciliation between accounting profit and tax expense			
Accounting profit	391 235 974	127 799 557	
Tax at the applicable tax rate of 28% (2016: 28%)	109 546 073	35 783 876	
Tax effect of adjustments on taxable income			
Prior year under provision	–	7 745 795	
Tax rate differential for capital gains	–	(26 066 485)	
Non-taxable income	(8 398 250)	(1 820 000)	
Non-taxable fair value adjustments	(101 525 240)	(8 261 437)	
Non-taxable S42 transfer	–	(16 052 283)	
Non-tax deductible expenses	427 625	391 969	
	50 208	(8 278 565)	
	Gross R	Tax R	Net R
12. OTHER COMPREHENSIVE INCOME			
2017			
Components of other comprehensive income			
Available-for-sale financial instrument adjustments			
Gains/(reclassifications) arising during the year:			
Listed shares – quoted	–	–	–
Unlisted shares – quoted and unquoted	–	–	–
Unit trusts	–	–	–
	–	–	–
2016			
Components of other comprehensive income			
Available-for-sale financial instrument adjustments			
Reclassifications arising during the year:			
Listed shares – quoted	(64 776 917)	9 146 070	(55 630 847)
Unlisted shares – quoted and unquoted	(28 317 671)	3 998 267	(24 319 404)
	(93 094 588)	13 144 337	(79 950 251)

Notes to the annual financial statements

continued

for the year ended 31 March 2017

	Gross R	Tax R	Net R
13. FAIR VALUE GAINS ON SUBSIDIARY			
2017			
Gains arising during the year:			
Unlisted shares – Subsidiary	362 590 140	–	362 590 140
	362 590 140	–	362 590 140
2016			
Gains arising during the year:			
Unlisted shares – Subsidiary	29 505 129	–	29 505 129
	29 505 129	–	29 505 129
<p>Deferred tax has not been recognised on the fair value gains on the investment in RIH as the manner of expected recovery of the investment is unlikely to result in future tax consequences. Temporary differences not recognised in terms of IAS 12 amount to R508 252 010 (2016: R145 661 870). Deferred tax has been recognised in RIH on the investments that it expects to incur taxes on when realising their value.</p>			
	2017 R		2016 R
14. EARNINGS AND HEADLINE EARNINGS PER SHARE			
<p>Earnings and headline earnings per shares are based on the profit attributable to ordinary and preference shareholders in issue during the year.</p>			
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
<i>Adjusted to headline earnings as follows:</i>			
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

Notes to the annual financial statements

continued

for the year ended 31 March 2017

	2017 R	2016 R
15. CASH UTILISED IN OPERATIONS		
Profit before taxation	391 235 974	127 799 557
Adjustments for:		
Dividends received	(29 993 750)	(6 500 000)
Interest received	(169 541)	(101 449)
Unrealised gain on investments	(362 590 140)	(29 505 129)
Reclassification of fair value gains through profit or loss on disposal of available-for-sale financial instruments	–	(93 094 588)
Changes in working capital:		
Trade and other payables	(735 302)	672 626
	(2 252 759)	(728 983)
16. TAX PAID		
Balance at the beginning of the year	(66 269)	(139 192)
Current tax for the year recognised in profit	(50 208)	(7 773 718)
Balance at the end of the year	(223 307)	66 269
	(339 784)	(7 846 641)

17. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Subsidiary

As at year-end, RAC has a single equity investment being a 100% (2016: 100%) held subsidiary, RAC Investment Holdings (Pty) Ltd ("RIH"). The subsidiary is not consolidated due to the Company being an investment entity in terms of IFRS 10 which requires investments to be accounted for at fair value (refer note 1). RIH is an investment holding Company, operating in South Africa. For additional information relating to RIH, as well as the underlying investments, please refer to note 3.

RIH holds the following investments as at 31 March 2017

Subsidiaries

As at year-end, RIH has a 53,3% (2016: 34,5%) economic interest in Goldrush Group (Pty) Ltd ("Goldrush") which is incorporated in South Africa and has interests in both Bingo and Limited Pay Out Machine licences in Southern Africa. RIH has 53,3% (2016: 31,5%) of the voting rights as at year-end and Goldrush is therefore considered to be a subsidiary.

As at year-end, RIH has a 90% interest in the JB Private Equity Investors Partnership. The partnership holds 37% (2016: 36%) of the issued shares in Sentula Mining Limited ("Sentula"). Sentula is a diversified mining company incorporated in South Africa with an established footprint across the African continent. The Group's service offerings can be broadly divided into bulk earth moving, and associated support services and exploration drilling. Given the holding structure, JB Private Equity Investors Partnership is considered to be a subsidiary and Sentula is considered an associate as at year-end.

As at year-end, RIH has an 88,10% (2016: 79,29%) stake in SA College of Home Study (Pty) Ltd ("College SA"). College SA is a FET-Level college in South Africa and is registered and accredited by a number of regulatory bodies. They specialise in providing distance education to students across the country as well as in the United Kingdom through their subsidiary IASeminars Limited. Given the majority stake, College SA is considered to be a subsidiary as at year-end.

Notes to the annual financial statements

continued

for the year ended 31 March 2017

17. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

Associates and joint ventures

As at year-end, RIH has a 28,3% (2016: 27%) interest in Outdoor Investment Holdings (Pty) Ltd ("S&O"). S&O is the largest hunting and safari related chain in South Africa with a wide range of products catering for all hunting requirements. Given the holding, RIH is considered to have significant influence over S&O and it is therefore considered to be an associate.

During the year RIH held a single ordinary share in Fledge Holdings along with 50% of the class B shares. The rights and conditions allowed RIH to appoint two members to the Board of directors of Fledge Holdings along with protective voting rights. Fledge Holdings is an investment vehicle which had a minority interest in a leading South African pharmacy group. During the current year, the underlying investment was realised resulting in RIH receiving a dividend.

As at year-end RIH held a 27,2% interest in West Coast Resources (Pty) Ltd ("WCR"). WCR is in the business of diamond mining and exploration on the West Coast of South Africa. Given the 27,2% interest, RIH has significant influence over WCR and it is therefore considered to be an associate.

As at year-end RIH had a 25,5% interest in Trans Hex Group Limited ("Transhex") which is incorporated in South Africa. Transhex is an integrated, international company engaged directly and through associated companies and joint-venture agreements with others in the exploration for, mining and marketing of high-quality diamonds from land and marine alluvial deposits in South Africa and Angola. Given the 25,5% holding and voting agreement with other shareholders, Transhex is considered to be a joint venture at year-end (2016: Associate).

18. RELATED PARTIES

Relationships

<i>Shareholders with significant influence</i>	Nicholas Viljoen Investment Company (Pty) Ltd (PG Viljoen); TATJ Investments (Pty) Ltd (T De Bruyn); TTOW Investments (Pty) Ltd (JC Van Niekerk).
<i>Subsidiaries</i>	RAC Investment Holdings (Pty) Ltd Goldrush Group (Pty) Ltd JB Private Equity Investors Partnership SA College of Home Study (Pty) Ltd
<i>Joint ventures</i>	Trans Hex Limited
<i>Associates</i>	Outdoor Investment Holdings (Pty) Ltd Fledge Holdings (Pty) Ltd West Coast Resources (Pty) Ltd Sentula Mining Limited
<i>Members of key management</i>	T De Bruyn; JC Van Niekerk; PG Viljoen
<i>Common directorships</i>	Regarding Capital Management (Pty) Ltd (Investment Manager) RECM Services (Pty) Ltd (Investment research) RAC Investment Holdings (Pty) Ltd Calibre Capital (Pty) Ltd RAC Advisory (Pty) Ltd (Investment Manager)

Messrs PG Viljoen, JC Van Niekerk and T De Bruyn do not receive any directors' emoluments from RAC or from any other Company directly in relation to services rendered to RAC. Executive directors of RAC benefit as ordinary shareholders of the Company.

Notes to the annual financial statements

continued

for the year ended 31 March 2017

	2017 R	2016 R
18. RELATED PARTIES (continued)		
Related party transactions		
<i>Revenue received from related parties</i>		
RAC Investment Holdings (Pty) Ltd – dividend	29 993 750	6 500 000
RECM Money Market Fund		
– Interest	153 550	–
Shares purchased in RAC Investment Holdings (Pty) Ltd in exchange for investments and loans and receivables	50 996 000	836 735 038
Sale of investments to RAC Investment Holdings (Pty) Ltd	50 996 000	665 174 287
Sale of loans and receivables to RAC Investment Holdings (Pty) Ltd	–	58 246 292
Issue of 200 000 Preference Shares to Nicholas Viljoen Investment Company (Pty) Ltd	5 300 000	–
Issue of 2 200 000 Preference Shares to the sellers of the Goldrush Group	50 996 000	–
Repurchase of 1 250 000 ordinary shares from TATJ Investments (Pty) Ltd	31 793 750	–
Related party balances		
Investment in RECM Money Market Fund	2 409 514	–
RAC directors with material interests in contracts entered into by RAC or RIH		
Messrs PG Viljoen and JC Van Niekerk are directors of Regarding Capital Management (Pty) Ltd, RAC and RIH. Messr JC Van Niekerk is a Director of RAC, RIH and RAC Advisory (Pty) Ltd. Messrs T De Bruyn, PG Viljoen and JC Van Niekerk are directors of Calibre Capital (Pty) Ltd.		
19. DIRECTORS' EMOLUMENTS		
Directors' emoluments consist of directors' fees and are considered to be short-term benefits which are paid in the year.		
Non-executive directors		
Gerhard Swiegers	250 000	192 643
Trent Rossini	136 347	128 629
Zanele Matlala	136 347	128 629
Executive directors do not receive any directors fees from the company and the company has no employees.		

Notes to the annual financial statements

continued

for the year ended 31 March 2017

20. RISK MANAGEMENT

Risk management objectives and policies

The Company's financial objective is to grow the net asset value per share; bearing in mind the absolute necessity to ensure the Company's ability to operate as a going concern at all times. The manager of the Company's assets regards the risk of losing capital as the most important risk to manage. This risk is managed firstly through buying only into assets where the price paid is substantially less than the value expected to be received. A secondary, but equally important risk management tool is to focus on the underlying quality of the assets acquired.

The Board of RAC is required to consider and report on various risks in its financial reporting. The risk management function focuses on actively securing the Company's financial objectives by employing the services of a professional Investment Manager. The most significant financial risks to which the Company and RIH are exposed are described below. The Company does not engage in the trading of financial assets for speculative purposes. Its Memorandum of Incorporation also limits the amount of leverage it can employ.

As a result of RAC owning 100% of the issued shares of RIH and RIH owning the underlying investments, the following Risk Management disclosures have where relevant also been completed looking through the RIH structure, as if RAC held the underlying investments directly.

Market risk

Market risk comprises 3 types of risk: Equity price risk, interest rate risk and liquidity risk. In addition, the directors consider credit risk and foreign exchange risk.

Equity price risk

The Company is subject to the risk of adverse movements in the market price of listed securities and unlisted quoted securities in which it has invested. This market risk is managed by the investment adviser by buying assets below their expected value. These investments are monitored on an ongoing basis by the Investment Manager and regularly reported on to the Board of Directors. Significant investments are approved in advance. A decrease or increase of 3% in the market price would have an estimated R7,8m (2016: R7,4m) impact on the fair value of the underlying portfolio of listed investments. This movement would impact the profit or loss of RAC as the movement would impact the NAV of RIH. A 1% change in the fair value of RIH would have a profit or loss impact of R14m (2016: R9,8m).

Interest rate risk

As the Company, through its investments in RIH, has exposure to significant interest bearing assets at times during the financial year, the Company's statement of comprehensive income is influenced by market interest rates.

Based on the exposure as at 31 March 2017 if interest rates had been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been R1 379 174 (2016: R103 029) higher/lower.

As at year-end RIH has issued preference shares to a third party with a preference dividend rate which is linked to prime. A 1% change in prime will result in RIH needing to pay an additional R1 725 000 (2016: R0,7m) of preference dividends per year.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company manages liquidity risk through an ongoing review of foreseeable future commitments and ensuring that adequate cash balances are maintained at all times.

Notes to the annual financial statements

continued

for the year ended 31 March 2017

20. RISK MANAGEMENT (continued)

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

RAC	Less than 60 days R	Over 60 days R
At 31 March 2017		
Trade and other payables	769 050	–
At 31 March 2016		
Trade and other payables	1 504 352	–

The maturity groupings for RIH are as follows:

RIH	Less than 1 year R	1 to 2 years R	2 to 5 years R	More than 5 years R	Total R
At 31 March 2017					
Loans and payables	18 750 915	66 524 228	103 600 794	–	188 875 937
Contingent consideration and derivatives	22 123 176	–	–	–	22 123 176
At 31 March 2016					
Loans and payables	33 417 637	6 191 594	54 168 615	–	93 777 846
Contingent consideration	19 129 854	–	–	–	19 129 854

Credit risk

Credit risk is the risk that a counterparty fails to discharge its obligation to the Company in full. The Company is exposed to this risk primarily due to receivables from financial institutions or investee companies. The Company only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty.

The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets not held at fair value recognised at the reporting date in RIH. This would include loans and receivables from RIH to underlying investees of R56 749 640 (2016: R82 037 280). No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

The board considers that all financial assets are of good credit quality. No financial assets are impaired or past due for each of the reporting dates under review.

Notes to the annual financial statements

continued

for the year ended 31 March 2017

21. GUARANTEE, CESSION AND PLEDGE

As at year-end RIH has issued 150 preference shares for R1 000 000 each to ABSA Bank Limited. The preference shares pay a preference dividend on the 31 March and 30 September each year at a rate equivalent to 115% of prime and are redeemable in 3 equal tranches on the 5 December 2018, 30 May 2019 and 30 August 2019.

RAC and RIH provided the following securities to ABSA in terms of the Preference Share Agreement:

- RAC pledged its shares held in RIH to ABSA
- RAC provided a guarantee in favour of ABSA for the full, complete and punctual payment and performance by RIH of all its obligations under the Preference Share Agreement amounting to R15,5m (2016: R6,2m) within 1 year, R66,5m (2016: R6,2m) within 2 years and R103,6m (2016: R54,2m) within 5 years.
- RIH pledged its shares held in Goldrush to ABSA

The securities will remain in full force until such time as the preference shares issued to ABSA have been fully redeemed and all payments made.

At year-end, both the value of RAC's pledged shares in RIH as well as RIH's pledged shares in Goldrush exceeded the value of the preference shares issued to ABSA. The directors of RAC foresee the possibility of RAC needing to make any payments under the guarantee as being highly remote.

RIH may not pay any distribution in excess of R1,5m to RAC without the prior consent of ABSA.

22. GOING CONCERN

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

23. 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.

24. NON-CASH TRANSACTIONS

RIH exercised its call option to acquire a further 20.81% of the issued share capital of Goldrush during the current financial year for an aggregate consideration of R221 176 302, which was settled by the following means:

- R170 180 302 was paid in cash by RIH;
- R50 996 000 was settled by the issue of 2 200 000 preference shares in RAC.

At the time of the preference share issue by RAC to the sellers of Goldrush, RIH issued 50 ordinary shares to RAC to the value of R50 996 000. Both these share issues were completed for no cash consideration.

During the current financial year, RIH declared dividends totalling R29 993 750. Of this, R26 493 750 was settled via the transfer of Units in the RECM Money Market Fund.

During the current financial year, RAC issued 200 000 preference shares for R5 300 000. The issue price was settled through a receipt of Units in the RECM Money Market Fund. This equated to an average price of R26,50 per share.

During the current financial year, RAC bought back 1 250 000 ordinary shares for R31 793 750 which was settled via the transfer of Units in the RECM Money Market Fund. This equated to an average price of R25,44 per share. The shares reverted to authorised but unissued ordinary shares upon repurchase.

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:

	Year ended 31 March 2018
Directors' fees	
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.

Notice of annual general meeting

continued

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.

Notice of annual general meeting

continued

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 or 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)

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)

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: _____

