RAC

RECM AND CALIBRE

INTEGRATED ANNUAL REPORT 2019

Contents

Company profile

RECM and Calibre Limited (“RAC”) was established in 2009 as a joint venture between Regarding Capital Management (Pty) Ltd (“RCM”) (a fund management firm) and Calibre Capital (RF) (Pty) Ltd (“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. RAC is controlled by Piet Viljoen and Jan van Niekerk and they, together with Theunis de Bruyn, control both RCM and Calibre.

INVESTMENT OBJECTIVE

RAC makes long-term investments, with the objective of generating high real returns from capital appreciation, investment income or both. We 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 (Pty) Ltd and Regarding Capital Management (Pty) Ltd (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 other entities, including RECM, as 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 operational 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 a delegated entity as described above.

Board of directors

PIETER GERHARDT VILJOEN (56)

Executive Chairperson

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 Chairperson of the RECM Group.

THEUNIS DE BRUYN (51)

Non-Executive Director

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 (44)

Executive Financial Director

Hons BCom (Maths), FIA, CFA

Appointed: 6 May 2013

Mr van Niekerk is a qualified actuary with more than 20 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 is an owner and CEO of the RECM Group.

JOHANNES GERHARDUS SWIEGERS (64)

Lead 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 (56)

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 and Stefanutti Stocks Holdings. Zanele also serves as a trustee of the RECM Foundation.

TRENT ROSSINI (51)

Independent Non-Executive Director

Bsc (Mech) Engineering, GDE (Industrial Engineer)

Appointed: 1 December 2014

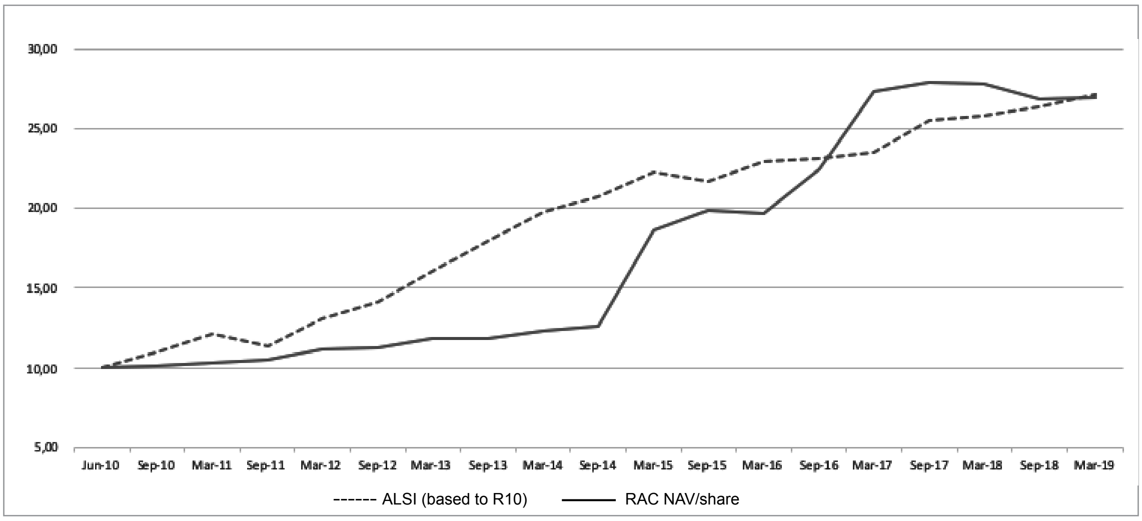
Trent has 24 years of industry experience across a variety of industries. His early career included roles at both Accenture and Deloitte Consulting. He then joined Internet Solutions to head up their security division and subsequently served in the role of Business Solutions Director. Trent joined the 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

During the financial year, the per share Net Asset Value ("NAV") (our preferred method of measuring value creation) of RAC declined by 3% to R26,92. This compares to a gain of the JSE All Share Total Return Index ("ALSI") for the year of 5%.

R10 invested in RAC participating preference shares in June 2010 has grown to R26,92 in NAV after all fees and taxes. The same amount invested in the ALSI would have grown to R27,09, before taking any fees or possible taxes into account.



RAC has grown its NAV per share by 12% p.a. since inception, compared to the ALSI's equivalent growth rate of 12,1%. Over the same period, the rand has depreciated by 7,6% p.a. RAC has thus compounded its NAV by 4,1% p.a. in US$ terms. This represents real growth in hard currency. We think this is a satisfactory, but not exceptional outcome. It definitely falls short of our own expectations and aspirations.

The NAV per share reduction of 3% over the last year implies a decrease of R43,7m in RAC's total NAV. This decrease can be broken down as follows:

	2019 **R**	2018 R
Interest and dividends received	**71 698 813**	32 422 299
Financing expenses	**(48 858 135)**	(34 262 759)
Realised (loss)/profits on sale of assets	**(15 868 225)**	4 940 113
Investment advisory fees	**(24 108 986)**	(20 575 625)
Operating expenses	**(5 129 895)**	(5 256 449)
Tax paid	**(2 931 154)**	(9 146 238)
Adjustments to fair value of assets	**(34 415 765)**	66 718 843
Tax reversed/(provided for)	**15 896 136**	(12 949 549)
Net (decrease)/increase in NAV	**(43 717 211)**	21 890 635

The main expense is the Investment advisory fee we pay. This fee amounts to 1% (excluding VAT) of the value of the portfolio. There are other small operating expenses, such as external directors' fees, audit fees etc – but we work hard to keep the total costs of managing the business as low as possible.

Shareholders' letter

continued

The increase in financing expenses is mainly due to the higher debt levels this year as part of our attempt to acquire control of Astoria.

You will note there are negative numbers in the lines "Realised profits" and "Adjustments to fair values of assets". These represent a crystallisation - in this year - of capital allocation mistakes we committed, in some cases quite a number of years ago.

There is a tendency to blame unsatisfactory results on 'a difficult trading environment', 'uncertain political conditions', 'difficult global economic circumstances', 'increased competition', or even hide them under 'discontinued operations'. Not so at RAC. We accept that, as business owners and investors, all of these conditions will become our reality at some stage in our journey. Bad outcomes are solely a result of us not having done our jobs well enough. Look no further. The mistakes are ours, etched into our track record, to live with forever.

This year's fairly acceptable overall result includes our short, painful investment in DAWN. We first invested into DAWN just over two years ago, through underwriting an emergency rights issue at (what we thought was) a deeply discounted price of R1/share. We received 16.8% of the company in exchange for R92mn of our cash. To cut a long story short – the cash was not enough, the company was not strong enough and the turn-around did not turn around. This year we decided to accept an offer of 1c/share from a consortium in a going-private transaction, rather than commit more capital to the business. Apart from the R91mn of capital we lost, this investment also consumed an inordinate amount of our partner Theunis de Bruyn's time – two very valuable assets we can never get back. Talk about a permanent loss! This investment ended up costing all of us R1,39/share in NAV.

Transhex has been a consistently noticeable drag to our results, which we have carried for a number of years now. With the benefit of hindsight, we should have passed on this opportunity when it was first presented to us. Our skills in evaluating mining prospects turned out to be no better than the next. West Coast Resources (a subsidiary of Transhex) ("WCR") looked like a fantastic project on paper. In the real world, it has consistently fallen short of even our very low expectations. The extent of the damage has been over R1,50 in NAV being destroyed in this misguided venture.

In the spirit of Charlie Munger's 'rubbing your nose in your own mistakes', we, with direct input from our non-executive directors, have spent many hours reflecting on them. We could write quite a voluminous treaty – especially on the compounding effect of mistakes – but for the sake of brevity and posterity, we record the common factors below:

- Our due diligence process did not identify all the issues within the businesses. We should have spent a lot more time and effort on obtaining a more in-depth understanding of the current state of the businesses, including speaking to trusted outside experts, before committing.
- Some of the people managing these investments turned out not to be the "partner" material we aspire to. In most cases we should have seen this right from the start. This is likely to remain one of the most difficult things to get right in future.
- We relied too heavily on 'skin in the game' from our partners as a screen for positive outcomes. In our world this means they should also stand to lose money with us when things go wrong. The absence of, or aversion to having skin in the game has been a very strong negative signal. The opposite is not quite true. Our future partners need to possess more than just a willingness to share in a potential loss of wealth.
- In turn-around investments, minority stakes don't work – especially for listed companies. Compliance with stock exchange rules and disclosure requirements inhibits speedy action. Together with egregious remuneration demands in the listed environment, the odds are stacked against minority investors. Come to think of it – this holds true for all listed investments, not only turn-arounds.
- There is no doubt that some of our actions were motivated by overconfidence, coming on the back of previous successful investments.

Many, if not most, of these mistakes were made in 'good' times, but they only show up in the bad times. We know that we will make mistakes again, but we will definitely learn from these.

Shareholders' letter

continued

OUR INVESTMENTS

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 89% of our asset base. Our minority stakes are grouped under the heading of Portfolio Investments and make up 5% of our asset base. There is a third group called Other Investments. This consists of interests in investments 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 of this group, as this could have the effect of jeopardising any transactions.

			Directors Fair Value at 31 March (R'mn)		
	% ownership	% of total assets	**2019**	2018	2017
Core investments		**89**	**1 859,4**	1 567,6	1 127,3
Goldrush	50	52	**1 089,3**	941,1	816,4
Astoria	28	23	**485,5**	386,4	95,0
JB Private Equity (UCP)	90	5	**96,2**	106,1	100,9
Outdoor Investment Holdings	31	5	**96,3**	82,5	59,9
ISA Carstens	49	2	**50,2**	–	–
College SA	97	2	**41,9**	51,5	55,1
Portfolio investments		**5**	**99,0**	318,1	251,8
Transhex	32	2	**37,4**	114,4	110,0
West Coast Resources	–	–	**–**	–	53,3
RECM Hedge Fund	–	2	**37,5**	42,4	–
Conduit Capital	2	1	**24,1**	38,9	46,2
DAWN	–	–	**–**	78,5	–
La Concorde	–	–	**–**	43,9	42,3
Other investments		3	**68,2**	22,2	137,2
Cash and receivables		3	**57,2**	123,1	178,9
Total assets			**2 083,8**	2 031,0	1 695,2
CGT and other liabilities		(6)	**(120,5)**	(132,4)	(146,3)
Bank funding		(28)	**(586,3)**	(477,9)	(150,1)
Net assets			**1 377,0**	1 420,7	1 398,8
Net asset value per share ("R")			**26,92**	27,77	27,35

Some notes on our valuation methodology:

IFRS requires RAC, as an investment entity, to place a fair value on all its assets. We have not changed our valuation methodology. Where possible, we use market prices, either listed or over the counter. For assets where there is no visible 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 explicitly provide for deferred capital gains tax (CGT), where applicable, on our unrealised gains. This is not a wide spread practice amongst investment companies, but we believe it is the most conservative way to account for the actual value of our investments.

In this vein, we should note that our valuations always err on the side of conservatism. We are firm believers in the power of low expectations, and explicitly build this into our valuations. Our track record shows that when we have exited an investment, it has, almost without fail, taken place at a level above our own fair value estimates. The reason we are conservative is that the future is always highly uncertain, and even the best businesses, run by the best management teams, are sometimes subject to random adverse outcomes. Our valuations always recognise this fact of life.

Goldrush

Goldrush is the largest independent alternative gaming group in the country. At year end, Goldrush operated 3 543 Electronic Bingo Terminals ("EBT's") in 27 Bingo sites. The group operated 1 882 Limited Payout Machines ("LPM's") and 33 sports betting shops.

Goldrush operates in all nine provinces of the country and employs more than 2 300 staff throughout its operations. Its customers are served under the Goldrush (Bingo, LPM), Bingo Royale (Bingo), Crazy Slots (LPM) and G-bets (retail sports betting and online betting) brands.

The biggest development for the year was the successful opening of two new Bingo properties and the redevelopment of two existing properties to include EBT's in Kwazulu Natal. These openings were spaced over the year, and have had an immediate positive impact on the business which was better than we have experienced anywhere else before.

All of our other Bingo properties experienced organic growth, with the exception of the Atterbury and Kolonade branches in Pretoria, where we continue to bear the brunt of the proximity of a large new Casino.

We plan to roll out four of the last remaining Bingo licences in the coming 12 months, which means that our Capex requirements will reduce significantly after that.

The past year saw an acceleration in the roll-out of our LPM's. This was mostly due to a reprieve in administration backlog from various gambling boards, which allowed the team to power ahead with previously prepared sites. We expect another year of strong roll-outs in LPM's.

The sports betting division remains marginally unprofitable, despite rapid growth on the revenue line. Online sports betting turned out to be quite a challenge to get profitable early on.

The primary value of our business resides in the exclusive ownership of gaming licenses. Without the entrenched rights to operate these licenses, our business would be substantially 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.

Recently the Gauteng Gambling Board decided to issue a further 81 sports betting licences. The inherent value of sports betting licences in the Gauteng province all but disappeared. The continued proliferation of illegal gaming operators near many of our properties also slowly erodes the fundamentals of the value of our licences.

Shareholders' letter

continued

The table below shows Goldrush's progress in terms of the number of licenses across all segments over time.

Summary of gaming licenses in the Goldrush Group

		Mar 2019	Mar 2018	Mar 2017	Mar 2016	Mar 2015
Bingo/Casino	Licences Owned	**35**	33	18	14	11
	Licenses Active	**27**	25	14	14	11
	EBT's in Operation	**3 543**	3 112	1 637	1 637	1 250
LPM	Route Licenses Owned	**6**	6	6	6	4
	Machines Approved	**4 200**	4 200	4 200	2 520	1 900
	Machines in Operation	**1 882**	1 671	1 537	1 360	1 042
Sports Betting	Licenses Owned	**33**	36	36	30	19
	Licenses in Operation	**33**	28	23	18	15

Goldrush managed to increase total sales by 22% to R1,3b for the year. This included 9% organic growth of existing operations. The rest was driven by a combination of adding new bingo properties, redevelopment of existing properties, together with an accelerated roll-out of LPMs and further growth of our sports betting business. Sustainable EBITDAR (the measure we use to evaluate the progress of the business) increased by 17%. Net financial indebtedness increased this year to fund developments of bingo and sports betting properties as well as equipment acquisitions.

Selected financial information for the Goldrush Group

	Mar 2019 R'mn	Mar 2018 R'mn	Mar 2017 R'mn	Mar 2016 R'mn	Mar 2015 R'mn
Total Revenue	**1 319**	1 080	748	627,1	517
– Bingo Division	**905**	738	556	480,6	390
– LPM Division	**319**	277	168	137	126
– Sports Betting Division	**95**	65	24	9	1
Sustainable EBITDAR	**349,7**	300,0	229,5	181,3	151,2
Net Debt	**597,8**	436,5	112,8	96,1	101,0

We value Goldrush using an earnings multiple for the existing operations (as reflected in sustainable EBITDAR, that is, the cashflow from all of our mature operations). We then make an adjustment for the balance sheet structure, which includes net debt as reflected above, plus market-related valuations for non-operational licenses.

The multiple used for our valuation remains unchanged at 7. Goldrush continues in its current growth trajectory, which will no doubt slow down once we have finished the roll-out of all bingo properties, and as the LPM business matures. After many years of re-investing all cashflow back into the company, we are finally getting to the point where we can anticipate some dividends coming our way.

We remain cautious in our valuations, as the proposed Control Of Tobacco Products And Electronic Delivery Systems Bill, the so-called "smoking ban", which seems to include potentially severe restrictions on the use of tobacco products in all public areas, remains unresolved. If promulgated, it could have a detrimental impact on Goldrush.

We expect the 2020 financial year to be the heaviest year in terms of expansion capex for Goldrush, as we push hard to open the KZN market, grow the number of LPM's in operation and grow sports betting.

When RAC set out on its journey, we said we would aim to invest in great businesses, to partner with great management teams and do that at a good price. So far, Goldrush represents a tangible manifestation in our lives of exactly that objective. If you ever come across Mergan Naidoo or Ray Hipkin, buy them a drink and send us the bill. We owe them much gratitude – not only for what they have done in building Goldrush, but also for the way in which they have done it.

Shareholders' letter

continued

Astoria Investments

Astoria is a Mauritian-domiciled investment company which is listed in South Africa (JSE), Mauritius (SEM) and Namibia (NSX). It used to hold a portfolio consisting mainly of small minority stakes in global blue-chip companies and a smattering of private equity investments. Fairly shortly after listing, Astoria traded at a significant discount to its underlying portfolio and RAC managed to acquire close to 30% of the company's shares at a favourable price.

We then approached the Astoria Board and announced that we intended to make an offer for all shares of Astoria in a part cash, part equity offer. This proposed offer was opposed by the Astoria Board in Mauritian courts, which introduced a significant time delay. Astoria shares continued to trade at a steep discount to the value of its underlying portfolio. Eventually, frustrated Astoria shareholders understandably voted for the company to sell off all of its liquid assets and return the freed-up capital to its shareholders via a capital distribution. At the same time it cancelled its management contract with its fund manager, paid a termination fee and the Board of the company took control of all further investment decisions.

The 25% increase in the Astoria share price for the year added R97mn to our NAV. Subsequent to year-end we have received R452mn, our share of the capital distribution. We still own just shy of 30% of what remains of the company, which at last count was worth about R60mn. We originally invested R366mn in Astoria.

Astoria now primarily owns investments in offshore private equity funds, a small listed company and a majority of US dollar cash. The share continues to trade at a discount to its remaining assets. The financial result of this investment has been marginally satisfactory.

This expedition provided us with first-hand experience of why many of our fellow South African management teams find it so difficult to do business in other jurisdictions. The fact that one knows and understands the corporate, legal, regulatory, and most importantly – the cultural framework, in South Africa, does not necessarily translate into success in other countries. A transaction that would have taken three months at the maximum in South Africa, has stretched out to 13 months and counting.

Our shareholding in Astoria remains valuable to us, as it provides us with further potential returns and with options to deploy capital for our shareholders.

JB Private Equity Partnership

RAC owns 90% of JB Private Equity ("JB") an entity that has as its only investment a 37% stake in Unicorn Capital Partners ("UCP"), a company listed on the JSE. RAC initially invested in UCP in April 2015. In October of that year Jacques Badenhorst was appointed as CEO. Over the subsequent three years, Jacques has done a tremendous job turning Unicorn into an investment holding company.

During the 2019 financial year, Ritchie Crane Hire powered ahead, maintaining momentum. JEF Drill & Blast is implementing the final elements of its restructuring programme that started in the first half, while Geosearch is bedding down its aggressive expansion programme in Botswana.

Production at Nkomati Anthracite has been negatively affected by the business rescue proceedings of a key contractor, community action interrupting mining activities, poor management and operational execution at the mine. Unicorn announced during the year that they are investigating options to realise value from this asset. The process is ongoing.

The market's assessment of this effort was a mark-down of 12.5% in the share price of UCP.

More information on UCP can be found at www.unicorncapital.co.za.

Transhex

Transhex is an alluvial diamond miner, with two main assets: WCR, a mine on the West Coast of South Africa, and Somiluana, a mine in Angola. WCR continues to struggle, making large operating cash flow losses, which, to date, have been funded by its main shareholder, Transhex. The result is that debt levels at WCR have become elevated. Somiluana continues to do well.

The result for shareholders has been a drop of 61% in the share price of Transhex over the past year.

Subsequent to year end, a transaction has been entered into which Transhex will ultimately transfer the assets and liabilities of WCR to a third party operator. This operator will also take over all mining activities at WCR. Furthermore, the Transhex head office has been sold for an amount approaching its current market capitalisation.

Outdoor Investment Holdings

Outdoor Investment Holdings ("OIH") is primarily focused on the outdoor and sport shooting industry. It serves the market through the national retailer Safari & Outdoor as well as wholesalers Inyathi Sporting Supplies and Formalito. This year, OIH opened its first concept store for the Family Pet Centre, an animal mega speciality store, with comprehensive grooming and on-site veterinary services. Just before year-end, the retail arm, Safari & Outdoor, opened its 5th store.

OIH performed well for the year, with group turnover growing 4% to R701mn. The operating margin remained around 9%. A judicial share buy-back from some of our fellow shareholders left RAC with a larger, more valuable, shareholding of 31%.

The market for further Safari & Outdoor stores is limited. Family Pet Centre is planning to open its second store in September this year.

More information on Safari & Outdoor can be found at www.safarioutdoor.co.za and for Family Pet Centre at www.familypetcentre.co.za

ISA Carstens

Early in the year RAC became a 49% shareholder of ISA Carstens Holdings South Africa, the holding company for a private tertiary education institution which provides tuition in the health and wellness industry under the ISA Carstens brand.

ISA Carstens has campuses, including boarding facilities for students, in Stellenbosch and Pretoria. Through the transaction, we partnered with the founding family that built the business over the past 40 years.

ISA Carstens has an active alumni of more than 3 000 "ISA's" spread throughout South Africa and many parts of Europe, a range of accredited qualifications that comply with international standards, a reputation for excellence and some spare capacity.

Our agreement with our partners is that RAC's capital and ownership will help the business grow its student numbers on the back of increasing its offering, number of campuses, and areas of teaching. With RAC as a shareholder, the transition from being a family-managed business to having a professional management team in place has commenced.

Since we acquired this investment during the financial year, we have not changed its valuation in our portfolio as yet. We are however very encouraged by the 24% increase in student numbers for the 2019 calendar year.

More information about ISA Carstens can be found at www.isacarstens.co.za

College SA

College SA houses our distance education-focused assets, which serves tertiary students under three brands, namely "College SA", "Tabaldi Online Accounting Classroom" and "IASeminars UK". Through these three brands, the business served 5 400 active students last year, a number very similar to the year before.

At College SA, the Technical and Vocational Education and Training College, sales increased by 10% during the year but very little has changed with regards to the payment behaviour by students, which we highlighted last year.

After a good 2017, IASeminars UK had a disappointing 2018, with sales down significantly. We have accepted that the nature of the business is inherently more volatile than we previously thought.

In Tabaldi Online Accounting Classroom the "CTA support" product was launched. It has become clear that a fair number of other tuition providers have spotted the same opportunity as Tabaldi, and with technology these days the barrier to entry is quite low. CTA support has very quickly become a very crowded space in South Africa.

We have reduced our valuation for College SA and IASeminars further this year and wrote our investment in Tabaldi down to a nominal amount.

Shareholders' letter

continued

RECM Flexible Value Hedge Fund

We were day-1 investors in this fund through the swap of a number of our smaller holdings of cheap listed assets for units in the fund. The fund utilises a Collective Investment Scheme structure that has many benefits to investors such as RAC – long-term orientated, tax sensitive, patient and the pursuit of exceptional – albeit volatile – returns. RECM has since raised further outside capital for the fund.

The returns of the fund have been muted thus far. For the year we currently review, the fund lost 11,6% of its value. However, we are pleased that the fund has outperformed our original portfolio of contributed stocks during that period. The investments in the fund could be classified under the labels of "Investor Disgust", "Neglect", "Illiquid", "Complicated", "Net Asset Plays", "Opportunistic", "Unlisted" and even in a few cases as "Overvalued" or "Over-Levered", but for the most part – completely outside the ambit of any Exchange Traded Fund or index tracker. We have even been able to find some very attractive high-yielding debt investments recently. We have found the structure of the fund to be much better suited to these types of investments and expect most of our future investments outside of our Core Investments to be housed in this fund.

More information about the RECM Flexible Value Hedge Fund can be found at www.recm.co.za

Conduit Capital

RAC owns 2.3% of Conduit Capital, a listed specialist insurance and investment 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. More information can be found at www.conduit.co.za.

Exits

During the year, we sold our entire holding in La Concorde, after having received our share of special dividends, as well as the unbundled Hosken Passenger Logistics and Rail shares (which we subsequently sold after having received a series of dividends and special dividends). This concludes our original investment in KWV from 2012.

We have done so in private before, but it is appropriate that we publicly thank the team at HCI for the amount of value which they unlocked for us as fellow shareholders in KWV. Our internal rate of return on this investment came to 10.1% over this period and was done in a very tax efficient manner. A pleasing outcome which took very little time from us to manage, but required patience to conclude.

This realisation continues our experience of selling assets at a premium to which it has been carried in our books.

Meaningful events subsequent to year-end

RAC Received R452m as a capital distribution from Astoria on 29 April 2019. We settled R239m of outstanding term debt and borrowings. On 31 May 2019, RAC acquired a further 4,9% of Goldrush for R89m.

Our Structure

This is such an important part of RAC, that we have chosen to repeat our thoughts from last year verbatim.

Our investment strategy has played, and will continue to play an important role in our success. But our structure also has an important role to play. At year-end, control of the Company vests with the two of us, through our holding in the ordinary shares of the company. Theunis remains our partner in a non-executive capacity. He also remains a significant shareholder in the business.

When we interrogate our shareholders register, it appears that there is only one other investor (an institution on behalf of its clients) which holds a bigger economic interest in RAC than the directors of RAC. We have skin in this game. If you ever wonder about which way potential conflicts in this business get resolved, we would refer you back to this section of our letter.

The three of us 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 which relates to strategy.

The Future

As we said for the past two years, negative economic environments increase the odds of RAC being able to buy good companies run by good people at a good price. This situation continues – in fact, it might even have become more pronounced in the past year. We have been able to add some interesting investments to our portfolio, which would not have been available in other circumstances. These are included under our "Other Investments" for now, as these transactions are not complete yet.

We still spend almost no time thinking about the economy. As this year once again proved - our businesses' management 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, and this one is a full year closer to the end than the last time we wrote to you.

Corporate scandals – or rather, the very public realisation over the last year of a number of corporate scandals that have been brewing for years in South Africa, confirmed yet again, that the relationship between the responsibility our non-executive directors at RAC assume and the reward they receive for this is completely skewed.

So far, the only response to these scandals has been a large chorus calling for increased "Governance" and more "Regulation". We are very sceptical whether higher doses of this medicine will cure the illness.

At RAC, we believe it is crucial that independent directors are independent of management of the company, independent of the company and independent from other directors. They should think for themselves. Many of the frauds that have taken place over the past few years in the corporate world might have been nipped in the bud, had directors been more diligent in their oversight of the management teams of the various companies. We encourage our outside directors to own shares in RAC, as we believe this strengthens their ability to act as impartial judges of management's performance.

An experienced, strongly independent director is invaluable. To classify a previously independent director as non-independent merely as a result of long tenure, does not make sense to us. Gerhard reaches the end of his nine-year tenure mentioned in the King Code at the end of this year. As we have done in the past, the board has concluded that Gerhard, as well as Trent and Zanele, exercise objective judgement in fulfilling their duties as non-executive directors. We can never pay Gerhard, Zanele and Trent enough for the sterling job they do of providing sounding boards and guidance, not to mention the annual probity process they are subjected to as directors of an owner of a gaming company. We are proud to be associated with them and so should you be!

2019 cemented our relationship with the managers of the various businesses somewhat more than before. We suspect that is what happens when we step up to deal with tough times. (The old Billy Ocean song comes to mind.) Thank you to these managers for the leadership, energy, tough decisions and positive attitude you have displayed this last year, doing all the heavy lifting and 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. It is rather gratifying to know that only about 6% of our issued shares changed hands in the last year. This means that we are speaking largely to the same group of people.

We want to leave you with the reminder: 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. You will be surprised how many opportunities have already come our collective way due to the vigilance of our shareholders.

Shareholders' letter

continued

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 Wednesday, 31 July 2019 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 if you will be attending.

Piet Viljoen
Executive Chairman

Jan van Niekerk
Executive Financial Director

Cape Town
14 June 2019

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.

The Board of Directors supports the King IV™ 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 (http://racltd.co.za/governance/), which covers the principles of the King Code and provides a narrative statement as to the application of each principle.

BOARD OF DIRECTORS

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

As of 31 March 2019, the Board of RAC comprised six directors with an appropriate balance of executive and non-executive directors, with one black female director. The Board supports the principles and aims of appropriate gender and race diversity. RAC's board is sufficiently diversified and there are no gender and/or race quota targets. 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.

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 the 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 five meetings of the Board were held.

Name of member	4 April 2018	18 April 2018	12 June 2018	16 October 2018	19 February 2019
Piet Viljoen (*Chairperson*)	Present	Present	Present	Present	Present
Theunis de Bruyn	Present	Present	Present	Present	Present
Jan van Niekerk	Present	Present	Present	Present	Present
Gerhard Swiegers	Present	Present	Present	Present	Present
Zanele Matlala	Present	–	Present	Present	Present
Trent Rossini	Present	Present	Present	Present	Present

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

Corporate governance

continued

INTERNAL CONTROLS

Based on the results of:

- the latest available review of the internal controls in existence;
- 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.

AUDIT AND RISK COMMITTEE

The Company has an Audit and Risk Committee comprising of Independent Non-Executive Directors, Gerhard Swiegers (Chairperson), Zanele Matlala and Trent Rossini. A detailed report by the Audit and Risk Committee is set out on page 19.

NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee comprises Piet Viljoen and Gerhard Swiegers. The Committee met once during the period with both members present. 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 and, accordingly, a remuneration policy has not been established. The JSE has notified RAC in writing that RAC does not need to comply with paragraph 3.84(k) of the JSE Listings Requirements. Further, RAC appoints skilled Directors not requiring mentoring and any training requirements are delegated to the Company Secretary or Executive Financial Director. Given these factors, RAC considers that the two-member Committee does and will going forward effectively discharge its duties. The composition of this Committee is not in line with the JSE Listings Requirements, however, the JSE has notified RAC in writing that the JSE will not insist on compliance with paragraph 3.84(c) of the JSE Listings Requirements.

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 with all three members present at the meeting. The Committee reports to Shareholders that the Directors have considered their individual and collective 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.

Corporate governance

continued

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.

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 Chairperson 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 Chairperson 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 Chairperson'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 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 RECM.

Audited Annual Financial Statements

Directors' responsibilities and approval of the annual financial statements

for the year ended 31 March 2019

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 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 pages 21 to 23.

The annual financial statements set out on pages 24 to 52, which have been prepared on the going concern basis, were approved by the Board of Directors on 14 June 2019 and were signed on their behalf by:

Piet Viljoen
Executive Chairperson

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

14 June 2019
Claremont

Report of the Audit and Risk Committee

for the year ended 31 March 2019

This report, in respect of the financial year ended 31 March 2019, 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 three occasions during the financial year. The Committee will meet at least three times per year as per its terms of reference.

Name of member	12 June 2018	16 October 2018	19 February 2019
Gerhard Swiegers (*Chairperson*)	Present	Present	Present
Zanele Matlala	Present	Present	Present
Trent Rossini	Present	Present	Present

The effectiveness of the Audit and Risk Committee and its individual members are assessed on an annual basis. The Chairperson of the Board, Financial Director, Executive and Non-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, the JSE Listings Requirements as well as statutory duties per the Companies Act of South Africa.

In addition to its statutory duties, the Audit and Risk Committee is responsible for, *inter alia,* the following:

- ensuring, on an annual basis, that the Financial Director has the appropriate expertise and experience;
- ensuring that the Company has established appropriate financial reporting procedures and that those procedures are operating; and
- ensuring suitability of the appointment of external auditors and the designated individual partner, specifically considering any information pursuant to paragraph 22.15(h) of the JSE Listings Requirements.

The Audit and Risk Committee executed its duties effectively.

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, in its assessment of the suitability of the auditor for appointment, considered the information in paragraph 22.15(h) of the JSE Listings Requirements and ensured that the appointment of the auditor complies with the Companies Act.

The Committee, in consultation with executive management, agreed to the engagement letter, terms, audit plan and audit fees for the 2019 financial year.

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

Report of the Audit and Risk Committee

for the year ended 31 March 2019

continued

The Committee has nominated, for election at the annual general meeting, Ernst & Young Inc., as the external audit firm and Mrs JC de Villiers as the designated auditor responsible for performing the functions of the auditor, for the 2020 financial 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 and are registered with the Independent Regulatory Board for Auditors ("IRBA"). No non-audit services were provided during the current financial year.

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 17 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 herewith. 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 17 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 and confirms that appropriate financial reporting procedures have been established and that these procedures are operating.

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
Chairperson of the Audit and Risk Committee

14 June 2019

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 25 to 52, which comprise the statement of financial position as at 31 March 2019, and the statement of comprehensive income, the statement of changes in equity, 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, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 2019, 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

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td colspan="2">1. Fair value estimation of unlisted financial instruments</td></tr>
<tr><td>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).

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.

RAC 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.

The fair value of the financial instruments held by RIH that are not traded in an active market are determined using valuation techniques which require significant judgement regarding estimates and sources of uncertainty.

RAC uses a variety of valuation 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.

Given the level of judgement involved in estimating the fair value of the unlisted financial instruments, the sensitivity to assumptions, 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.

The disclosures relating to the valuation of the financial instruments are presented in Note 3.</td><td>Our audit included the following procedures:

• We obtained an understanding and evaluated the design of the controls implemented by management to determine fair values

• We performed the following procedures, amongst others, in respect of the unlisted financial instruments:
– We compared the valuation techniques and methods applied by management to generally accepted market practice and guidelines.
– We compared assumptions and inputs used to independent sources and benchmarks, where available.
– With the support of our internal valuation specialists, we evaluated the unobservable assumptions and inputs used by management in the valuation models.
– We recalculated the values of the instruments, where applicable, using the selected methodology and assessed the accuracy thereof.

• We assessed whether the financial statement disclosures, including sensitivity to key inputs, appropriately reflect the Company's exposure to financial instrument valuation risk</td></tr>
</table>

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, the Board of directors, Shareholders' Letter, Corporate Governance, Directors' responsibilities and approval of the annual financial statements, Notice of annual general meeting, Annexure A – Shareholder information, Form of proxy, Invitation to Annual Shareholders' meeting with executive directors 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.

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 6 years.

Ernst & Young Inc.

Ernst & Young Inc.

Director: Johanna Cornelia De Villiers
Registered Auditor
Chartered Accountant (SA)

Waterway House
3 Dock Road
V&A Waterfront
Cape Town
14 June 2019

Directors' report

for the year ended 31 March 2019

The Directors submit their report for the year ended 31 March 2019.

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 loss of the Company was R43 717 211 (2018: profit of R21 890 635), after taxation of R227 661 (2018: R30 829).

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 22 of the annual financial statements.

4. DIRECTORS' SHAREHOLDING

Direct and indirect beneficial interests of Directors and associates as at 31 March 2019 are:

	Ordinary shares				Preference shares			
	2019 Number	**2019 %**	2018 Number	2018 %	**2019 Number**	**2019 %**	2018 Number	2018 %
Theunis de Bruyn	**–**	**–**	–	–	**1 722 328**	**3,6**	1 722 328	3,6
Piet Viljoen	**2 500 001**	**66,67**	2 500 001	66,67	**1 654 687**	**3,5**	1 618 827	3,4
Jan van Niekerk	**1 249 999**	**33,33**	1 249 999	33,33	**416 233**	**0,9**	416 233	0,9
Trent Rossini	**–**	**–**	–	–	**1 500 000**	**3,2**	1 500 000	3,2
Gerhard Swiegers	**–**	**–**	–	–	**80 000**	**0,2**	80 000	0,2
Total	**3 750 000**	**100,00**	3 750 000	100,00	**5 373 248**	**11,3**	5 337 388	11,2

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

5. DIRECTORS' INTEREST IN CONTRACTS

Piet Viljoen is a Director of Regarding Capital Management. Piet Viljoen and Jan van Niekerk are Directors of RAC Investment Holdings (Pty) Ltd. Jan van Niekerk is a Director of RAC Advisory (Pty) Ltd and Livingstone Investments (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 and issued share capital of the Company during the year under review.

7. DIVIDENDS

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

Statement of financial position

at 31 March 2019

	Notes	2019 R	2018 R
ASSETS			
Non–current assets		**1 376 853 748**	1 420 152 165
Investments	3	**1 376 853 748**	1 420 152 165
Current assets		**1 000 735**	1 350 670
Investments	3	**969 658**	1 094 061
Trade and other receivables		**9 860**	–
Current tax receivable		**–**	221 365
Cash and cash equivalents	5	**21 217**	35 244
Total assets		**1 377 854 483**	1 421 502 835
EQUITY AND LIABILITIES			
Equity		**1 376 962 756**	1 420 679 967
Share capital – ordinary shareholders	6	**18 206 250**	18 206 250
Share capital – preference shareholders	6	**506 296 000**	506 296 000
Retained income		**852 460 506**	896 177 717
Liabilities			
Current liabilities		**891 727**	822 868
Trade and other payables	8	**889 297**	822 868
Current tax payable		**2 430**	–
Total equity and liabilities		**1 377 854 483**	1 421 502 835
Net asset value			
Net asset value attributable to ordinary shareholders	7	**100 950 349**	104 155 423
Net asset value attributable to preference shareholders	7	**1 276 012 407**	1 316 524 544
Net asset value per ordinary share (cents)	7	**2 692**	2 777
Net asset value per preference share (cents)	7	**2 692**	2 777

Statement of comprehensive income

for the year ended 31 March 2019

	Notes	**2019 R**	2018 R
Revenue	10	**1 523 370**	110 219
Operating expenses		**(1 698 371)**	(1 463 996)
Operating loss		**(175 001)**	(1 353 777)
Fair value (loss)/gain on subsidiary	12	**(43 314 549)**	23 275 241
(Loss)/profit before taxation		**(43 489 550)**	21 921 464
Taxation	11	**(227 661)**	(30 829)
(Loss)/profit for the year		**(43 717 211)**	21 890 635
Other comprehensive income for the year net of taxation		**–**	–
Total comprehensive income		**(43 717 211)**	21 890 635
Earnings and headline earnings per share			
Per share information (ordinary and preference)			
Basic and diluted (loss)/earnings per share (cents)	13	**(85)**	43
Headline and diluted headline (loss)/earnings per share (cents)	13	**(85)**	43

Statement of changes in equity

for the year ended 31 March 2019

	Preference share capital R	Ordinary share capital R	Retained income R	Total shareholders' equity R
Balance at 31 March 2017	506 296 000	18 206 250	874 287 082	1 398 789 332
Profit for the year	–	–	21 890 635	21 890 635
Balance 31 March 2018	**506 296 000**	**18 206 250**	**896 177 717**	**1 420 679 967**
Loss for the year	**–**	**–**	**(43 717 211)**	**(43 717 211)**
Balance at 31 March 2019	**506 296 000**	**18 206 250**	**852 460 506**	**1 376 962 756**
Note	6	6		

Statement of cash flows

for the year ended 31 March 2019

	Notes	2019 R	2018 R
Cash flows from operating activities			
Cash utilised in operations	14	**(1 641 802)**	(1 410 178)
Interest income		**773**	672
Dividends received		**500 000**	–
Tax paid	15	**(3 866)**	(28 887)
Net cash outflow from operating activities		**(1 144 895)**	(1 438 393)
Cash flows from investing activities			
Net sale of investments		**1 130 868**	1 425 000
Net cash inflow from investing activities		**1 130 868**	1 425 000
Net movement in cash and cash equivalents		**(14 027)**	(13 393)
Cash and cash equivalents at the beginning of the year		**35 244**	48 637
Cash and cash equivalents at the end of the year	5	**21 217**	35 244

Notes to the annual financial statements

for the year ended 31 March 2019

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 are made either through a fully owned subsidiary incorporated in South Africa, RAC Investment Holdings (Pty) Ltd ("RIH"), Livingstone Investments (Pty) Ltd ("Livingstone"), or directly.

Given that the majority of investments are held through RIH, 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 and RIH's wholly owned subsidiary Livingstone to the underlying investments. 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 note 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 have a material impact to the financial statements.

Significant judgements include:

Assessment as an 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; and
- an entity that measures and evaluates the performance of substantially all 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.

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 and other 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 prior to 1 April 2018

Financial instruments disclosed in the financial statements for the comparatives include cash and cash equivalents, investments and trade and other payables. Financial instruments were initially recognised when the Company became a party to the contractual terms of the instruments.

Classification

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

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

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

Initial recognition and measurement

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

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

Subsequent measurement

Subsequent to initial recognition, financial instruments were 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 were 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 included financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss and financial assets which met the definition of subsidiaries or associates.

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

Trade and other payables

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

Cash and cash equivalents

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

Financial assets (or part thereof) were derecognised when the Company realised the rights to the benefits specified in the contract, or the Company surrendered or otherwise lost control of the contractual rights that comprised the financial asset. On derecognition, the difference between the carrying amount of the financial asset and proceeds receivable was recognised in profit or loss.

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

Financial instruments as from 1 April 2018

In its adoption of IFRS 9 Financial Instruments, the Company has used the retrospective approach with no adjustments being required to be made at the date of initial application.

Initial recognition and measurement

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price.

For a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified into one of three categories:

- Financial assets at amortised cost;
- Financial assets at FVOCI;
- Financial assets at FVTPL.

Financial assets at amortised cost

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes cash and cash equivalents.

Financial assets at FVTPL

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model.

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

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without a material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

The Company recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised for those credit exposures for which there has been a significant increase in credit risk since initial recognition, over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For contract assets, the Company applies a simplified approach in calculating ECLs. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings or payables as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Loans and borrowings

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

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability.

The difference in the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Fair value determination for comparative and current year amounts

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.

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. Current tax assets and liabilities are only set off against each other if the Company has a legally enforceable right to set them off.

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. Deferred tax assets and liabilities are not recognised on investments in subsidiaries, associates or joint ventures where the Company controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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 (other than the acquisition by an investment entity of a subsidiary that is required to be measured at fair value through profit or loss).

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.

1.4 Share capital

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

The following new standards and interpretations became effective during the current financial year, which were relevant to the Company's operations:

Standard/ Interpretation	**Effective date: Years beginning on or after**	Impact
IFRS 9 – Financial Instruments	1 January 2018	IFRS 9 did not have a material impact on the Company as it currently owns one equity investment which continues to be recognised at fair value through profit or loss.
IFRS 15 – Revenue Standard	1 January 2018	IFRS 15 did not have an impact on the Company as the Company earns interest and dividend income and has no contracts with customers.

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. The Company plans to adopt these statements when they become effective.

Standard/ Interpretation	**Effective date: Years beginning on or after**	Impact
IFRIC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019	The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The interpretation is not expected to directly impact the Company as it does not have any complex tax structures in place.

		2019 R	2018 R
3.	**INVESTMENTS**		
	Fair value hierarchy of financial assets		
	Level 2		
	Class 4 – Money market fund	**969 658**	1 094 061
		969 658	1 094 061
	Level 3		
	Class 5 – Unlisted shares – Unquoted – fair value through profit or loss	**1 376 853 748**	1 420 152 165
		1 376 853 748	1 420 152 165
	Total financial assets at fair value	**1 377 823 406**	1 421 246 226
	Total assets at fair value through profit or loss	**1 377 823 406**	1 421 246 226
	Non-current assets – fair value through profit or loss	**1 376 853 748**	1 420 152 165
	Current assets – fair value through profit or loss	**969 658**	1 094 061
	Total investments	**1 377 823 406**	1 421 246 226
	Management classifies money market fund as current and other investments as non-current.		
	Level 3 reconciliation		
	Opening balance	**1 420 152 165**	1 396 876 924
	Purchases	**16 132**	–
	(Loss)/gain on investments recognised in profit or loss	**(43 314 549)**	23 275 241
	Closing balance	**1 376 853 748**	1 420 152 165

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 six 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 as applicable:

- 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 as applicable 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 is responsible for preparing the valuations which are reviewed by the Audit and Risk Committee and approved by the Board.

3. INVESTMENTS continued

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

	2019 **R**	2018 R
Fair value hierarchy of financial assets held by RAC Investment Holdings (Pty) Ltd and Livingstone Investments (Pty) Ltd		
Level 1		
Class 1 – Listed shares – Quoted	**533 319 428**	565 781 986
Class 2 – Unlisted shares – Quoted	**–**	43 874 788
	533 319 428	609 656 774
Level 2		
Class 3 – Hedge fund	**37 471 361**	42 401 775
Class 4 – Money market fund	**12 443 554**	72 433 269
	49 914 915	114 835 044
Level 3		
Class 5 – Unlisted shares – Unquoted – available-for-sale	**–**	4 597 611
Class 5 – Unlisted shares – Unquoted – fair value through profit or loss	**1 350 945 307**	1 165 762 769
	1 350 945 307	1 170 360 380
Total financial assets at fair value	**1 934 179 650**	1 894 852 198
Non-current assets	**1 921 736 096**	1 822 418 929
Current assets	**12 443 554**	72 433 269
Total investments	**1 934 179 650**	1 894 852 198
Summary of net asset value of RIH and Livingstone		
Total investments from above	**1 934 179 650**	1 894 852 198
Loans and receivables	**91 377 348**	68 016 765
Cash and cash equivalents	**43 532 573**	49 047 493
Deferred tax	**(110 178 022)**	(126 589 276)
Contingent consideration and options	**16 616 415**	16 209 881
Loans and payables	**(248 329 362)**	(131 044 118)
Preference shares	**(350 344 854)**	(350 340 778)
Net asset value of RIH and Livingstone	**1 376 853 748**	1 420 152 165

3. INVESTMENTS continued

3.1 Description of significant unobservable inputs and their sensitivities of investments held by RAC (level 3 investments)

31 March 2019

	Valuation technique	Fair value Rm	Significant unobservable inputs	Range	Sensitivity
RAC Investment Holdings ("RIH")	NAV	1 377	Earnings and multiple of the underlying investments (refer to breakdown below)	N/A	A change in the valuation techniques as documented below would result in a change in fair value of R220m.

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)

Safari and Outdoor	Multiple	96,3	PBIT	6	A change in multiple by 1 would result in a change in fair value of approximately R23,1m.
Goldrush Group	Multiple	1 089,3	EBITDAR	7	An increase or decrease in the EBITDAR multiple by 1 would result in a change in fair value of approximately R175,3m.
JB Private Equity Investors Partnership	NAV	82,5	N/A	N/A	The NAV of the JB Private Equity Investors Partnership is directly linked to the underlying investment in Unicorn Capital Partners Limited (which is listed on the JSE) and it 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% upward or downward movement in the Unicorn Capital Partners share price would have a R8,2m impact on the Partnership NAV.
ISA Carstens (excluding non equity investments)	Multiple	35,2	PAT	3	A change in multiple up or down by 1 would results in a change in fair value of approximately R5m.
	Capitalisation rate		Rent received	9%	A change in the capitalisation rate up or down by 1% would result in a change in fair value of approximately R3,8m.
SA College	Multiple	41,9	Sales	0,8	A change in multiple by 10% would result in a change in fair value of approximately R4,6m.
Other level 3 investments		**5,9**			
Total		**1 351,10**			

Notes to the annual financial statements

for the year ended 31 March 2019

continued

3. INVESTMENTS continued

3.3 Description of significant unobservable inputs and their sensitivities of investments held by RAC (level 3 investments)

31 March 2018

	Valuation technique	Fair value Rm	Significant unobservable inputs	Range	Sensitivity
RAC Investment Holdings (“RIH”)	NAV	1 420	Earnings and multiple of the underlying investments (refer to breakdown below)	N/A	A change in the valuation techniques as documented below would result in an increase in fair value of R177,8m or decrease in fair value of R184,9m.

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 (excluding non-equity investments)	Multiple	82,5	PBIT	6	A change in multiple by 1 would result in a change in fair value of approximately R17,8m.
Goldrush Group	Multiple	941,1	EBITDAR	7	An increase or decrease in the EBITDAR multiple by 1 would result in a change in fair value of approximately R152,6m.
JB Private Equity Investors Partnership	NAV	94,3	N/A	N/A	The NAV of the JB Private Equity Investors Partnership is directly linked to the underlying investment in Unicorn Capital Partners Limited (which is listed on the JSE) and it 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% upward movement in the Unicorn Capital Partners share price would have a R2,3m impact on the Partnership NAV, whereas as a 10% downward movement in the share price would have a R9,4m impact on NAV.
Education: SA College (excluding non-equity investments)	Multiples NAV	47,9	Sales N/A	0,8 – 1 N/A	A change in multiple by 10% would result in a change in fair value of approximately R4,4m. A change in 10% of the underlying bussinesses, would have a fair value impact of R0,7m
Other level 3 investments		**4,6**			
Total		**1 170,4**			

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.

Notes to the annual financial statements

for the year ended 31 March 2019

continued

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
2019			
Cash and cash equivalents	**21 217**	**–**	**21 217**
Investments	**–**	**1 377 823 406**	**1 377 823 406**
	21 217	**1 377 823 406**	**1 377 844 623**
2018			
Cash and cash equivalents	35 244	–	35 244
Investments	–	1 421 246 226	1 421 246 226
	35 244	1 421 246 226	1 421 281 470

	2019 R	2018 R
5. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of:		
Bank balances	**21 217**	35 244
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)	**21 217**	35 244

Notes to the annual financial statements

for the year ended 31 March 2019

continued

		2019 R	2018 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 (2018: 3 750 000) ordinary shares of R0,01 each	**37 500**	37 500
	Share premium	**18 168 750**	18 168 750
		18 206 250	18 206 250
	47 400 000 (2018:47 400 000) non-cumulative redeemable participating preference shares	**506 296 000**	506 296 000
7.	**NET ASSET VALUE PER SHARE**		
	Net asset value per share is calculated by dividing the net asset value attributable to each class of share by the number of shares in issue as at year end. Given the ordinary and preference shares have the same rights to the net asset value of the company, net asset value per share is the same for both classes.		
	Number of shares in issue at year-end		
	Ordinary shares	**3 750 000**	3 750 000
	Preference shares	**47 400 000**	47 400 000
	Net asset value attributable to ordinary shareholders	**100 950 349**	104 155 423
	Net asset value attributable to preference shareholders	**1 276 012 407**	1 316 524 544
	Net asset value per ordinary share (cents)	**2 692**	2 777
	Net asset value per preference share (cents)	**2 692**	2 777

	2019 R	2018 R
8. TRADE AND OTHER PAYABLES		
Audit fee payable	**280 345**	263 280
Trade payables	**158 302**	–
Directors' fees payable	**450 650**	559 588
	889 297	822 868

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

9. FINANCIAL LIABILITIES BY CATEGORY

	Financial liabilities at amortised cost R	Total R
2019		
Trade and other payables	**889 297**	**889 297**
	889 297	**889 297**
2018		
Trade and other payables	822 868	822 868
	822 868	822 868

	2019 R	2018 R
10. REVENUE		
Dividend revenue		
Unlisted financial assets	**1 500 000**	–
Total dividend revenue	**1 500 000**	–
Interest revenue		
Bank *	**773**	672
Money market fund	**22 597**	109 547
Total interest revenue	**23 370**	110 219
Total revenue	**1 523 370**	110 219

* *This interest is recognised using the effective interest rate method.*

		2019 R	2018 R
11.	**TAXATION**		
	Major components of the tax expense		
	Current		
	Income tax – current period	**5 577**	30 829
	Income tax – prior year underprovision	**222 084**	–
	Deferred		
	Current period	**–**	–
		227 661	30 829
	Reconciliation of the tax expense		
	Reconciliation between accounting (loss)/profit and tax expense		
	Accounting (loss)/profit	**(43 489 550)**	21 921 464
	Tax at the applicable tax rate of 28% (2018: 28%)	**(12 177 074)**	6 138 010
	Tax effect of adjustments on taxable income		
	Non-taxable income	**(420 000)**	–
	Non-taxable fair value adjustments	**12 128 074**	(6 517 068)
	Prior year under-provision	**222 084**	–
	Non-tax deductible expenses	**474 577**	409 887
		227 661	30 829

		Gross R	Tax R	Net R
12.	**FAIR VALUE (LOSS)/GAIN ON SUBSIDIARY**			
	2019			
	Loss arising during the year:			
	Unlisted shares – subsidiary	**(43 314 549)**	**–**	**(43 314 549)**
		(43 314 549)	**–**	**(43 314 549)**
	2018			
	Gain arising during the year:			
	Unlisted shares – subsidiary	23 275 241	–	23 275 241
		23 275 241	–	23 275 241

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 R488 212 702 (2018: R531 527 251). Deferred tax has been recognised in RIH on the investments that it expects to incur taxes on when realising their value.

		2019	2018
13.	**EARNINGS AND HEADLINE EARNINGS PER SHARE**		
	Earnings and headline earnings per share are based on the (loss)/profit attributable to ordinary and preference shareholders in issue during the year.		
	Number of shares in issue at year-end		
	Ordinary shares	**3 750 000**	3 750 000
	Preference shares	**47 400 000**	47 400 000
	Reconciliation of issued shares to weighted average number of shares		
	Ordinary shares (opening and closing balance)	**3 750 000**	3 750 000
	Preference shares (opening and closing balance)	**47 400 000**	47 400 000
	Total weighted average number of shares	**51 150 000**	51 150 000
	Earnings		
	Net (loss)/profit after tax (R)	**(43 717 211)**	21 890 635
	Headline earnings (R)	**(43 717 211)**	21 890 635
	Basic and diluted earnings per ordinary and preference shares (cents)	**(85)**	43
	Basic and diluted headline earnings per ordinary and preference shares (cents)	**(85)**	43
14.	**CASH UTILISED IN OPERATIONS**	**R**	R
	(Loss)/profit before taxation	**(43 489 550)**	21 921 464
	Adjustments for:		
	Dividends received	**(1 500 000)**	–
	Interest received	**(23 370)**	(110 219)
	Unrealised loss/(gain) on investments	**43 314 549**	(23 275 241)
	Changes in working capital:		
	Trade and other receivables	**(9 860)**	–
	Trade and other payables	**66 429**	53 818
		(1 641 802)	(1 410 178)
15.	**TAX PAID**		
	Balance at the beginning of the year	**221 365**	223 307
	Current tax for the year recognised in profit or loss	**(227 661)**	(30 829)
	Balance at the end of the year	**2 430**	(221 365)
		(3 866)	(28 887)

16. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Subsidiary

As at year-end, RAC has a single equity investment being a 100% (2018: 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. RIH is an investment holding Company, operating in South Africa. For additional information relating to RIH, as well as the underlying investments, looking through its 100% held subsidiary Linvingstone Investments (Pty) Ltd, please refer to note 3.

RIH holds the following investments as at 31 March 2019

Subsidiaries

As at year-end, RIH has a 50,1% (2018: 50,95%) 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 50,1% (2018: 50,95%) 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% (2018: 90%) interest in the JB Private Equity Investors Partnership. The partnership holds 37,4% (2018: 37,4%) of the issued shares in Unicorn Capital Partners Limited ("Unicorn"). Unicorn operates as an investment holding company which is incorporated in South Africa and listed on the JSE. Unicorn's current portfolio of investments includes the provision of overburden drilling and blasting, mobile crane hire and exploration drilling services as well as an operational anthracite mine. Given the holding structure, JB Private Equity Investors Partnership is considered to be a subsidiary and Unicorn is considered an associate as at year-end.

As at year-end, RIH has a 96,6% (2018: 88,1%) stake in the ordinary shares of 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 accross 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.

As at year-end, RIH has a 100% (2018: 100%) stake in Livingstone Investments (Pty) Ltd ("Livingstone"). Livingstone is an investment entity incorporated in South Africa. It holds a 28,7% (2018: 28%) interest in Astoria Investments Limited.

Associates and joint ventures

As at year-end, RIH has a 31% (2018: 28,6%) 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.

As at year-end RIH has a 31,6% (2018: 31,6%) interest in Transhex. 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 voting agreement with other shareholders, Transhex is considered to be a joint venture at year-end (2018: joint venture). As at year-end, RIH had provided Transhex with a loan facility of R47,2m (2018: R47,2m), of which R13,7m (2018: R34,8m) had been utilised.

As at year-end, RIH has a 49% (2018: 0%) interest in ISA Carstens (Pty) Ltd. ISA Carstens is a private tertiary education institution, which provides tuition for students who wish to follow a career in the health and wellness industry. ISA Carstens is domiciled in South Africa with campuses in Stellenbosch and Pretoria. RIH has 49% of the voting rights under its control and, therefore, ISA Carstens is considered to be an associate as at year-end.

As at year-end, Livingstone has a 28,7% (2018: 28%) interest in Astoria Investments Limited ("Astoria"). Astoria which is primarily listed on the Stock Exchange of Mauritius and the JSE is an investment holding company which has mainly held investments in blue-chip global shares. RAC has 28,7% of the voting rights under its control through Livingstone and, therefore, Astoria is considered to be an associate as at year-end.

17. RELATED PARTIES

Relationships

Shareholders with significant influence	Seneca Investments (Pty) Ltd (PG Viljoen) TTOW Investments (Pty) Ltd (JC Van Niekerk)
Subsidiaries	RAC Investment Holdings (Pty) Ltd Goldrush Group (Pty) Ltd JB Private Equity Investors Partnership SA College of Home Study (Pty) Ltd Livingstone Investments (Pty) Ltd
Joint Ventures	Trans Hex Limited
Associates	Outdoor Investment Holdings (Pty) Ltd Unicorn Capital Partners Limited Astoria Investments Ltd ISA Carstens (Pty) Ltd
Members of key management	JC Van Niekerk PG Viljoen
Common directorships	Regarding Capital Management (Pty) Ltd (Investment Manager) RAC Advisory (Pty) Ltd (Investment Manager) Livingstone Investments (Pty) Ltd

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. They benefit as shareholders of the Company.

Notes to the annual financial statements

for the year ended 31 March 2019
continued

		2019 R	2018 R
17.	**RELATED PARTIES** continued		
	Related party transactions		
	Revenue received from related parties		
	RAC Investment Holdings (Pty) Ltd – dividend	**1 500 000**	–
	RECM Money Market Fund – interest	**22 597**	109 547
	Related party balances		
	Investment in RECM Money Market Fund	**969 658**	1 094 061
	RAC Directors with material interests in contracts entered into by RAC or RIH		
	Mr PG Viljoen is a Director of Regarding Capital Management (Pty) Ltd, RAC and RIH. Mr JC Van Niekerk is a Director of RAC, RIH, Livingstone and RAC Advisory (Pty) Ltd.		
18.	**DIRECTORS' EMOLUMENTS**		
	Directors' emoluments consist of directors' fees and are considered to be short-term benefits which are paid in the year.		
	Gerhard Swiegers	**277 000**	265 000
	Trent Rossini	**151 000**	144 528
	Zanele Matlala	**151 000**	144 528
	Executive Directors and T de Bruyn do not receive any Directors' fees from the Company and the Company has no employees.		

19. 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 the investment entities RIH and Livingstone 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 100% of the issued shares in Livingstone, the following Risk Management disclosures have where relevant also been completed looking through the RIH and Livingstone structure, as if RAC held the underlying investments directly.

Market risk

Market risk comprises three 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 R16m (2018: R18,2m) 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 R13,7m (2018: R14,2m).

Interest rate risk

As the Company, through its investments in RIH and Livingstone, 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 2019 if interest rates had been 1% higher/lower with all other variables held constant, post-tax loss/profit for the year would have been R0,4m (2018: R0,7m) higher/lower.

As at year-end RIH and Livingstone have funding from Absa Bank Limited ("Absa") in the form of preference shares and a loan. The dividend and interest rates on the funding is linked to prime. A 1% change in prime will result in RIH and Livingstone needing to pay an additional R6m (2018: R5,3m) of preference dividends and interest 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.

19. RISK MANAGEMENT continued

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period as at the statement of financial position date 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 2019		
Trade and other payables	**889 297**	**–**
At 31 March 2018		
Trade and other payables	822 868	–

The maturity groupings for RIH and Livingstone are as follows:

RIH and Livingstone	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 2019					
Loans and payables	**290 572 470**	**374 605 475**	**–**	**–**	**665 177 945**
At 31 March 2018					
Loans and payables	217 329 071	127 251 380	210 773 244	–	555 353 695
Contingent consideration and derivatives	2 192 652	–	–	–	2 192 652

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 R91,3m (2018: R68m). Whilst no credit limits were exceeded during the reporting period or no amounts were considered to be past due, management of RIH has provided for R28,4m (2018: Rnil) of capital and interest receivable from an investee company as at year-end as the investee is no longer expected to be able to meet the loan repayments going forward. Management does not expect any other future losses from its other investees to which it is exposed to credit risk.

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

Foreign exchange risk

The Company is able to operate internationally and foreign exchange risk arising from exposure to foreign currencies may arise from time to time. As at year-end, the Company is not directly exposed to foreign exchange movements however its investment in Astoria may be impacted by movements in the United States Dollar and South African Rand exchange. As this investment is an equity investment which is traded on the JSE which is based in South African Rands, no Foreign Exchange sensitivity has been completed.

20. GUARANTEE, CESSION AND PLEDGE

As at year-end, RIH has issued 350 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 all redeemable on 30 October 2020. Previously they were redeemable in seven equal tranches on 5 December 2018, 30 May 2019, 30 August 2019, 31 July 2020, 31 August 2020, 30 September 2020 and 30 October 2020, however, there was a change to the redemption date during the current financial year.

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 R42,9m (2018: R89,6m) within 1 year, R374,8m (2018: R127,3m) within two years and Rnil (2018: R210,8m) within five 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.

As at year-end, Livingstone, a wholly owned subsidiary of RIH, had a loan from Absa totalling R202,1m (2018: R127,5m). In terms of the loan agreement, the following securities were provided to Absa:

- Livingstone pledged its shares held in Astoria as well as its bank accounts, claims and other related rights to ABSA;
- RIH pledged its shares held in Livingstone to Absa; and
- Livingstone is required to repay the loan and total interest to Absa, amounting to R204,8m (2018: R134,5m) by the 10 May 2019, failing which all assets held by RAC will become pledged to Absa.

At year-end, both the value of Livingstone's pledged shares in Astoria as well as RIH's pledged shares in Livingstone exceeded the value of the loan and accumulated interest owing to Absa. The Directors of RAC foresee the possibility of RAC needing to make any payments under the guarantee as being highly remote.

21. 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.

22. SUBSEQUENT EVENTS

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

- Livingstone received a capital repayment from Astoria totalling R452,8m on the 29 April 2019;
- Livingstone settled the full loan and interest owing to Absa totalling R204,8m;
- Livingstone declared dividends totalling R120m to RIH;
- Livingstone purchased an additional 850 000 shares in Astoria for R1,3m;
- RIH settled the full loan and interest owing to Calibre Treasury and Management Services totalling R34,2m;
- RIH purchased an additional 4,9% in Goldrush for R88,5m which was settled via EFT.

23. NON-CASH TRANSACTIONS

RAC earned interest income totalling R22 597 (2018: R109 547) on its investment in the RECM Money Market Fund. This interest was re-invested directly into the RECM Money Market Fund and therefore is not included in the statement of cash flows.

During the year RAC earned R1,5m of dividend income from RIH of which R0,5m was received in cash and R1m was received in units of the RECM Money Market Fund.

Shareholder information

as at 31 March 2019

As at 31 March 2019, three million seven hundred and fifty thousand ordinary shares were in issue. The beneficial interests as at 31 March 2019 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:

	2019		2018	
Beneficial shareholder name	**Number**	**%**	Number	%
Ordinary shares				
Seneca Investments (Pty) Ltd (PG Viljoen)	**2 500 000**	**66,7**	2 500 000	66,7
PG Viljoen	**1**	**-**	1	-
Maximus Investments CC (JC van Niekerk)	**1**	**-**	1	-
TTOW Investments (Pty) Ltd (JC van Niekerk)	**1 249 998**	**33,3**	1 249 998	33,3
Preference shares				
Coronation Capital Plus Fund	**3 424 741**	**7,2**	3 443 604	7,3
SBSA ITF Nedgroup Investments Balanced Fund	**2 261 543**	**4,8**	2 314 861	4,9
SBSA ITF Nedgroup Investment Managed Fund	**2 015 080**	**4,3**	2 138 898	4,5
Theunis de Bruyn	**1 722 328**	**3,6**	1 722 328	3,6
Piet Viljoen	**1 654 687**	**3,5**	1 618 827	3,4
Sentinel Retirement Fund	**1 582 042**	**3,3**	1 582 042	3,3
SBSA ITF RECM Global Flexible Fund	**1 531 477**	**3,2**	1 531 477	3,2
SBSA ITF Nedgroup Investment Stable Fund	**1 500 000**	**3,2**	1 500 000	3,2
TNT Trust (T Rossini)	**1 500 000**	**3,2**	1 500 000	3,2

Public shareholders analysis	2019		2018	
Security holders analysis	**Number**	**%**	Number	%
Ordinary shares				
Non-public	**4**	**100,0**	4	100,0
Preference shares				
Public	**929**	**97,4**	980	97,6
Non-public	**25**	**2,6**	24	2,4

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, 31 July 2019, at 11:00 for the purposes of passing, if approved, the following resolutions with or without modification:

Presentation of the Annual Financial Statements

The audited financial statements of the Company for the year ended 31 March 2019, incorporating the reports of the external auditors, the Audit and Risk Committee and the directors, have been distributed and accompany this notice and are accordingly presented to shareholders.

The Integrated Annual Report, including annual financial statements, is available at http://racltd.co.za/wp-content/uploads/2019/06/31-March-2019-RAC-Integrated-Report-2019.pdf.

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 2020 be determined as follows:

Directors' fees (excluding VAT)	Year ended 31 March 2020 R
Board member	158 500
Chairperson – Audit and Risk Committee	132 300

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

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 2020 is Mrs JC de Villiers."

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 TWO

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.

Notice of annual general meeting

continued

ORDINARY RESOLUTION NUMBER THREE

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 FOUR

Election of Audit and Risk Committee member

"RESOLVED TO elect Mr JG Swiegers as a member of the Audit and Risk Committee subject to the approval of ordinary resolution number two."

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 exercised on the resolution.

ORDINARY RESOLUTION NUMBER FIVE

Election of Audit and Risk Committee member

"RESOLVED TO elect Ms Z Matlala as a member of the Audit and Risk Committee subject to the approval of ordinary resolution number three."

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

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 SIX

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.

RECORD DATES

In terms of section 59(1)(a) and (b) of the Act, the Board of the Company has set the record dates for the purposes of determining which Shareholders are entitled to receive notice, participate in, and vote:

	2019
Record date to receive the notice of the annual general meeting	Friday, 28 June
Last date to trade to be eligible to participate in and vote at the annual general meeting	Tuesday, 23 July
Record date to be eligible to participate in and vote at the annual general meeting	Friday, 26 July

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.

Electronic participation

Should any shareholder wish to participate in the annual 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. It is requested that duly completed forms of proxy to 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 Wednesday, 31 July 2019.

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.

(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.

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

By Order of the Board

G Simpson
Company Secretary

Cape Town
14 June 2019

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 (*Lead Independent Non-Executive Director*)

JC van Niekerk (*Executive Financial Director*)

PG Viljoen (*Executive Chairperson*)

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

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 Corporate Advisory (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 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 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, 31 July 2019 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/her

2. ______________________________ or failing him/her

3. the Chairperson 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, 31 July 2019 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 To confirm the appointment of the auditors			
Ordinary resolution 2 To elect JG Swiegers as an Independent Non-Executive Director			
Ordinary resolution 3 To elect Z Matlala as an Independent Non-Executive Director			
Ordinary resolution 4 To elect JG Swiegers as a member of the Audit and Risk Committee			
Ordinary resolution 5 To elect Z Matlala as a member of the Audit and Risk Committee			
Ordinary resolution 6 To elect T Rossini as a 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 ______________ 2019

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 Chairperson 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 Chairperson 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 Chairperson 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. It is requested that forms of proxy be lodged with or posted to the Company's Transfer Secretaries to be received by 11:00 on Wednesday, 31 July 2019.

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 31 July 2019 at approximately 11:00.

At the meeting the Chairperson 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, 31 July 2019 at approximately 11:00.

Signed: ____

Date: ____

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

Email: ____