RAC

RECM AND CALIBRE

INTEGRATED ANNUAL REPORT

2016

Contents

Company profile

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

INVESTMENT OBJECTIVE

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

RISK MANAGEMENT

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

INVESTMENT UNIVERSE

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

STRUCTURE

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

INVESTMENT MANAGEMENT

The investment management function of RAC has been outsourced to RECM under a fully discretionary mandate prior to its listing. RECM continues to act in that capacity. RAC is a long-term investment Company and as such all operational and administrative functions have been outsourced to RECM, RAC does not employ any staff.

RECM thus performs:

1. An investment management function for RAC in a similar fashion to that offered to its other clients, and according to RAC's specific mandate; and
2. Administrative and accounting functions on behalf of RAC.

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

Board of directors

PIETER GERHARDT VILJOEN (53)

Executive Chairman

BCom (Hons), CFA

Appointed: 24 June 2009

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

THEUNIS DE BRUYN (48)

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 (41)

Executive Financial Director

Hons BCom (Maths), FIA, CFA

Appointed: 6 May 2013

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

JOHANNES GERHARDUS SWIEGERS (61)

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 (53)

Independent Non-Executive Director

BCompt (Hons), CA(SA)

Appointed: 1 December 2014

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

TRENT ROSSINI (48)

Independent Non-Executive Director

Bsc (Mech) Engineering, GDE (Industrial Engineer)

Appointed: 1 December 2014

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

Shareholders' letter

To our fellow shareholders

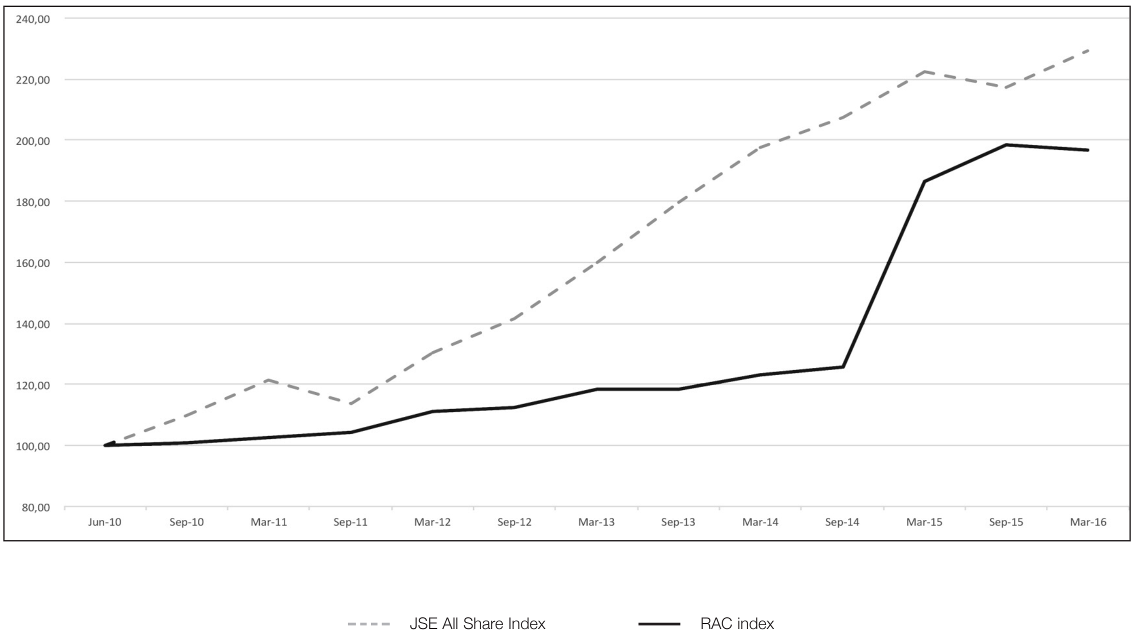
RECM and Calibre ("RAC") is a long-term investment vehicle that was set up in a specific way, to achieve the best possible outcome for its shareholders – both ordinary and preferred – over time.

Control of the Company vests with the three of us, Piet Viljoen, Theunis de Bruyn and Jan van Niekerk, as we own all the ordinary shares in the Company. Our investment landscape is broad, our capital is patient and we do not plan to pay dividends any time soon. This will remain true for as long as we can find investments that satisfy our criteria (more of which follows later). Our main objective is to grow the Net Asset Value ("NAV") per share of RAC at a high rate over a long period of time.

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

During the past financial year, our NAV, for both the Ordinary and the Participating Preference shares, grew by 6,1% on a per share basis. By comparison, the total return generated by the JSE All Share Index, with dividends included, was 3,2%. Since listing in June 2010, our NAV per share has grown by 96,6%, while the ALSI total return index has grown by 129% over that same period. As such, we continue to find ourselves a bit behind our primary goal of outperforming the average listed company since inception. Importantly, over the past two years – ever since RAC became fully invested – we have outperformed the index substantially. Going forward we think we have the building blocks in place to continue doing so.

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



Shareholders' letter

continued

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

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

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

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

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

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

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

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

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

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

Shareholders' letter

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

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

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

Notes:

1. *IFRS requires RAC, as an investment entity, to place a fair value on all its assets. Where possible, we used market prices, either listed or over the counter. Where these were not available, we used our own estimate of fair value. In select circumstances, we have provided debt to some of our investee companies. In these rare instances, our valuations include both equity and debt.*
2. *Goldrush continues to grow strongly. Over the past year, revenue grew by over 20% and net profits more than doubled. On top of a continued roll out of its LPM and Bingo operations, the sports betting business is gaining rather good traction – both land-based and online.*

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

Shareholders' letter

continued

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

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

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

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

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

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

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

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

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

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

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

Shareholders' letter

continued

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

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

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

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

   RAC owns an effective indirect 2,5% shareholding in Dischem. This is held through a leveraged structure, Fledge Holdings. Dischem is privately owned and is a leading South African pharmaceutical retailer. The business continues to experience solid growth, through an expanding footprint and market share gains. The change in value for the year reflects the increase in the underlying profitability of Dischem, plus the benefit of judicial leverage in the structure. During the past year, Fledge also received dividends from Dischem. No change was applied to the valuation multiples. Recently, the majority owner of Dischem announced their possible intention to list the shares of the company on the JSE in due course. We regard this development in a positive light, as a move from a private to public company will create an uplift in its valuation.

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

   RAC owns 5,1% of KWV, an unlisted wine and spirits producer. Over the past year, we have added to our holding. Our all-in-cost is just over R9 per share. After year-end, Niveus (the controlling shareholder of KWV) sold the operating assets of KWV for R16,91 per share. In addition, KWV shareholders (including RAC) still retain certain assets, which could be worth an additional R3 to R4 per KWV share. As this transaction occurred after year-end, the revaluation has not been taken into account in calculating our NAV. At year-end, we were carrying our investment in KWV at R5,50 per share, the last traded price.

   We have a 5,6% investment in KLK Landbou, an unlisted farming co-op headquartered in Upington. Their main lines of business include meat processing, fuel sales and motor dealerships. They also recently acquired a raisin processing operation. It is a well-run business, and profits have grown by over 20% per annum over the past 4 years. We have valued this investment at its over-the-counter trading price which translates to a PE ratio of 3.

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

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

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

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

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

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

Shareholders' letter

continued

RAC and RIH adjusted Statement of Cash Flows

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

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

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

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

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

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

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

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

Shareholders' letter

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

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

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

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

In the meantime, we have secured debt funding to grow our asset base, when we come across more good opportunities – which such an environment is bound to provide. In this regard, if you are involved in any business that meets our investment criteria and that needs capital or a responsible owner with a long-term orientation, please give one of us a call. We can't promise you a deal, but we can promise you a quick answer.

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

SHAREHOLDERS' MEETING WITH EXECUTIVE DIRECTORS

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

Piet Viljoen
Chairman

Theunis de Bruyn

Jan van Niekerk

Cape Town
10 June 2016

Corporate governance

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

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

BOARD OF DIRECTORS

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

As of 31 March 2016, the Board of RAC comprised six directors with an appropriate balance of executive and non-executive directors. The directors are individuals of the highest calibre and credibility, and have the necessary skills and experience to make a meaningful contribution to the business of the Company and there is a clear division of responsibilities between directors. There exists a clear balance of power and authority at Board level ensuring that no one director has unfettered powers of decision-making.

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

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

During the year under review four meetings were held.

Name of member	27 May 2015	22 Jun 2015	23 Oct 2015	23 Feb 2016
Piet Viljoen *(Chairman)*	Present	Present	Present	Present
Theunis de Bruyn	Present	Present	Present	Present
Jan van Niekerk	Present	Present	Present	Present
Gerhard Swiegers	Present	Present	Present	Present
Zanele Matlala	Present	Present	Present	Present
Trent Rossini	Present	Present	Present	Present

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

INTERNAL CONTROLS

Based on the results of the latest available formal review of the internal controls in existence and system of risk management within RECM and its back-office administrator, including the design, implementation and effectiveness of the internal financial controls and considering information and explanations given by management of RECM and discussions with the external auditor on the results of the audit, assessed by the Audit and Risk Committee, nothing has come to the attention of the Board that caused it to believe that the Company's system of internal controls and risk management is not effective and that the internal financial controls do not form a sound basis for the preparation of reliable financial statements.

The successful completion of an ISAE 3402 examination process for the period ended 30 June 2014, performed by Ernst & Young Inc. on the operational procedures and controls related to Asset Management and Operations activities, is further evidence of the rigour to which RECM subjects their internal risk processes and related controls. The Type II opinion, issued by Ernst & Young Inc., confirmed not only the fairness of the description and suitability of design of internal controls but also their operating effectiveness in the examination period.

Corporate governance

continued

AUDIT AND RISK COMMITTEE

The Company has an Audit and Risk Committee comprising independent non-executive directors, Gerhard Swiegers *(Chairman)*, Zanele Matlala and Trent Rossini. A detailed report by the Audit and Risk Committee is set out on page 16.

NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee currently comprises Piet Viljoen and Gerhard Swiegers. 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 require remuneration. Further, RAC appoints skilled directors not requiring mentoring and training requirements are delegated to the Company Secretary or Executive Financial Director. The appointment of a single committee, and consequentially the composition of this committee, is not in line with the King III best practice recommendations, however the JSE has granted RAC exemption from the mandatory compliance with these King III principles, as set out in paragraph 3.84(d) of the JSE's Listings Requirements, as far as they relate to the appointment and composition of a Nomination Committee and a Remuneration Committee, respectively.

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

SOCIAL AND ETHICS COMMITTEE

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

GOING CONCERN

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

COMPANY SECRETARY AND PROFESSIONAL ADVICE

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

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

AUDITOR INDEPENDENCE

The financial statements have been audited by the independent auditors, Ernst & Young Inc.. The Board, supported by the Audit and Risk Committee, has no reason to believe that Ernst & Young Inc. has not at all times acted with unimpaired independence. During the current financial year the external auditors were remunerated as per Note 14 of the annual financial statements which details amounts paid to the external auditors for audit services.

Corporate governance

continued

ANNUAL GENERAL MEETING

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

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

SUSTAINABILITY

RECM is the investment manager for the investment portfolio of the Company and 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. A record of voting is publicly available on their website (www.recm.co.za).

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

OTHER MATTERS OF INTEREST TO STAKEHOLDERS

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

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

Other than the express support of the King Code, mentioned on page 10 and accounting standards mentioned in the notes, the Company does not subscribe to any other rules, codes or standards on a voluntary basis.

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

Audited Annual Financial Statements

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

Directors' responsibilities and approval of the annual financial statements

for the year ended 31 March 2016

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

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

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

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

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

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

The external auditors are responsible for independently reviewing and reporting on the Company's annual financial statements. The annual financial statements have been examined by the Company's external auditors and their report is presented on page 18.

The annual financial statements set out on pages 14 to 47, which have been prepared on the going concern basis, were approved by the Board of Directors on 10 June 2016 and were signed on their behalf by:

Piet Viljoen
Executive Chairman

Jan van Niekerk
Executive Financial Director

Certificate by Company Secretary

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

G Simpson
Company Secretary

10 June 2016
Claremont

Report of the Audit and Risk Committee

for the year ended 31 March 2016

This report, in respect of the financial year ended 31 March 2016, is presented by the Company's Audit and Risk Committee appointed by the ordinary shareholders.

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

1. AUDIT AND RISK COMMITTEE TERMS OF REFERENCE

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

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

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

Name of member	27 May 2015	22 June 2015	23 Oct 2015	23 Feb 2016
Gerhard Swiegers *(Chairman)*	Present	Present	Present	Present
Zanele Matlala	Present	Present	Present	Present
Trent Rossini	Present	Present	Present	Present

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

3. ROLE AND RESPONSIBILITIES

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

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

4. EXTERNAL AUDITOR APPOINTMENT AND INDEPENDENCE

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

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

The Committee, in consultation with executive management, agreed to the engagement letter, terms, audit plan and audit fees for the 2016 year.

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

The Committee has nominated, for election at the annual general meeting, Ernst & Young Inc., as the external audit firm and MP Rapson as the designated auditor responsible for performing the functions of auditor, for the 2017 year. The Audit and Risk Committee has satisfied itself that the audit firm and designated auditor are accredited as such on the JSE list of auditors and their advisors.

Report of the Audit and Risk Committee

continued

for the year ended 31 March 2016

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 14 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 by RECM of the going concern status of the Company and has made recommendation to the Board in accordance. The Board's statement on the going concern status of the Company, as supported by the Audit and Risk Committee, is stated in the Directors' Responsibilities and Approval on page 14 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.

During the year, the Committee met with the external auditors without management being present.

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

10. INTERNAL FINANCIAL AND ACCOUNTING CONTROL

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

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

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

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

Gerhard Swiegers
Chairman of the Audit and Risk Committee

10 June 2016

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

Report on the financial statements

We have audited the financial statements of RECM and Calibre Limited set out on pages 20 to 47, which comprise the statement of financial position as at 31 March 2016, and the statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the annual financial statements

The Company's directors are responsible for the preparation and fair presentation of these annual 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.

Auditors' responsibility

Our responsibility is to express an opinion on these annual financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 2016, and the financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 31 March 2016, we have read the Directors' Report, the Report of the Audit and Risk Committee and the Certificate by Company Secretary for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

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 three years.

Ernst + Young Inc.

Ernst & Young Inc.

Director: Malcolm Peter Rapson
Registered Auditor
Chartered Accountant (SA)

10 June 2016

Ernst & Young Inc.
35 Lower Long Street
Cape Town

Directors' report

for the year ended 31 March 2016

The directors submit their report for the year ended 31 March 2016.

1. REVIEW OF ACTIVITIES

Main business and operations

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

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

Net profit of the Company was R136 078 122 (2015: R286 409 443), after taxation credit of R8 278 565 (2015 expense: R17 317 153).

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 26 of the annual financial statements.

4. DIRECTORS' SHAREHOLDING

Shareholding of directors, directly and indirectly as at 31 March 2016:

	Ordinary shares				Preference shares			
	2016 Number	**2016 %**	2015 Number	2015 %	**2016 Number**	**2016 %**	2015 Number	2015 %
Theunis de Bruyn	**1 250 001**	**25,00**	1 250 001	25,00	**1 147 700**	**2,55**	1 147 700	2,55
Piet Viljoen	**2 500 001**	**50,00**	2 500 001	50,00	**1 334 025**	**2,96**	1 334 025	2,96
Jan van Niekerk	**1 249 998**	**25,00**	1 249 998	25,00	**346 332**	**0,77**	346 332	0,77
Trent Rossini	**–**	**–**	–	–	**1 350 000**	**3,00**	1 350 000	3,00
Gerhard Swiegers	**–**	**–**	–	–	**80 000**	**0,17**	80 000	0,17
Total	**5 000 000**		5 000 000		**4 258 057**		4 258 057	

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

5. DIRECTORS' INTEREST IN CONTRACTS

Piet Viljoen and Jan van Niekerk are also directors of Regarding Capital Management (Pty) Ltd. Jan van Niekerk is also a Director of RECM Services (Pty) Ltd and RAC Investment Holdings (Pty) Ltd. RECM and Calibre Limited has appointed Regarding Capital Management (Pty) Ltd and RECM Services (Pty) Ltd to administer its affairs and to manage its investment portfolio.

6. AUTHORISED AND ISSUED SHARE CAPITAL

There were no changes in the authorised or 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 2016

	Notes	2016 R	2015 R
ASSETS			
Non-current assets		**983 290 784**	883 595 786
Investments	3	**983 290 784**	714 253 898
Loans and other receivables	6	**–**	169 341 888
Current assets		**1 381 153**	74 418 456
Investments	3	**–**	67 971 006
Loans and other receivables	6	**–**	3 097 497
Cash and cash equivalents	7	**1 381 153**	3 349 953
Total assets		**984 671 937**	958 014 242
EQUITY AND LIABILITIES			
Equity		**983 101 316**	926 973 445
Share capital – ordinary shareholders	8	**50 000 000**	50 000 000
Share capital – preference shareholders	8	**450 000 000**	450 000 000
Reserves		**–**	79 950 251
Retained income		**483 101 316**	347 023 194
Liabilities			
Non-current liabilities		**–**	29 196 620
Deferred taxation	5	**–**	29 196 620
Current liabilities		**1 570 621**	1 844 177
Trade and other payables	9	**1 504 352**	1 704 985
Current tax payable		**66 269**	139 192
Total equity and liabilities		**984 671 937**	958 014 242
Net asset value			
Net asset value attributable to ordinary shareholders		**98 310 132**	92 697 345
Net asset value attributable to preference shareholders		**884 791 184**	834 276 101
Net asset value per ordinary share (cents)		**1 966**	1 854
Net asset value per preference share (cents)		**1 966**	1 854

Statement of comprehensive income

for the year ended 31 March 2016

	Notes	2016 R	2015 R
Revenue	11	**6 601 449**	30 720 051
Operating expenses		**(1 401 609)**	(10 140 930)
Operating profit		**5 199 840**	20 579 121
Other income	12	**93 094 588**	17 149 208
Fair value gains on subsidiaries and associates	16	**29 505 129**	287 223 959
Impairments recycled through profit and loss		**–**	(21 225 692)
Profit before taxation		**127 799 557**	303 726 596
Taxation	13	**8 278 565**	(17 317 153)
Profit for the year		**136 078 122**	286 409 443
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Net gain on available-for-sale financial instruments		**–**	26 189 347
Realised gain on sale of available-for-sale investments recycled to profit or loss		**(93 094 588)**	(17 149 208)
Impairment loss reclassified		**–**	21 225 692
Taxation related to components of other comprehensive income		**13 144 337**	(5 649 904)
Other comprehensive income for the year net of taxation	15	**(79 950 251)**	24 615 927
Total comprehensive income		**56 127 871**	311 025 370
Earnings and headline earnings per share			
Per share information (ordinary and preference)			
Basic and diluted earnings per share (cents)	17	**272**	573
Basic and diluted headline earnings per share (cents)	17	**86**	579

Statement of changes in equity

for the year ended 31 March 2016

	Preference share capital R	Ordinary share capital R	Fair value adjustment assets available-for-sale reserve R	Retained income R	Total share-holders' equity R
Balance at 31 March 2014	450 000 000	50 000 000	55 334 324	60 613 751	615 948 075
Profit for the year	–	–	–	286 409 443	286 409 443
Other comprehensive income	–	–	24 615 927	–	24 615 927
Balance at 31 March 2015	450 000 000	50 000 000	79 950 251	347 023 194	926 973 445
Profit for the year	**–**	**–**	**–**	**136 078 122**	**136 078 122**
Other comprehensive income	**–**	**–**	**(79 950 251)**	**–**	**(79 950 251)**
Balance at 31 March 2016	**450 000 000**	**50 000 000**	**–**	**483 101 316**	**983 101 316**
Notes	8	8			

Statement of cash flows

for the year ended 31 March 2016

	Notes	2016 R	2015 R
Cash flows from operating activities			
Cash utilised in operations	18	**(728 983)**	(9 637 731)
Interest income		**106 824**	13 125 860
Dividends received		**6 500 000**	21 023 155
Tax paid	19	**(7 846 641)**	(7 650 927)
Net cash (outflow)/inflow from operating activities		**(1 968 800)**	16 860 357
Cash flows from investing activities			
Loans to investees		**–**	(149 419 476)
Purchase of other financial investments		**–**	(81 758 828)
Proceeds on disposal of financial investments		**–**	217 566 023
Net cash outflow from investing activities		**–**	(13 612 281)
Net movement in cash and cash equivalents		**(1 968 800)**	3 248 076
Cash and cash equivalents at the beginning of the year		**3 349 953**	101 877
Cash and cash equivalents at the end of year	7	**1 381 153**	3 349 953

Notes to the annual financial statements

for the year ended 31 March 2016

GROUP STRUCTURE

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

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

During the period all the investments (including the related loans and receivables) to the value of R723 549 474 held by RAC were transferred to the wholly-owned subsidiary RIH for an additional 190 shares in RIH. The loan to RIH in the prior year of R114 059 440 was converted to share capital by RIH issuing an additional 10 shares to RAC. This transfer was primarily to facilitate future funding. This transfer had no impact on the NAV of RAC. Given this structure, RAC has provided the fair value disclosure in two parts in note 3. Notes 3.1 and 3.3 discloses the investment in RIH as required by IFRS and note 3.2 provides additional disclosures that the directors deem useful by looking through RIH to the underlying investments at the directors fair values. The transfer of the investments, (previously held as available-for-sale), to RIH has resulted in the unrealised gains of R93 094 558, previously recognised in other comprehensive income, being reclassified to profit or loss. All fair value movements on the investment in RIH will be recognised in profit or loss going forward.

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 only affected disclosure and had no 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 be material to the financial statements. Significant judgements include:

Assessment as investment entity

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

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both;
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis (refer to note 3 for additional disclosures relating to fair value)

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

In line with RAC carrying its investment in RIH at fair value, RAC has also elected the exemption in IAS 28 to carry any interests in associates and joint ventures at fair value through profit or loss. Such election is applied consistently due to the fact that the Company is an investment entity and evaluates its investments on a fair value basis. The Company reports to its investors via annual and semi-annual results and to its management, via internal management reports, on a fair value basis. All investments are reported at fair value to the extent allowed by IFRS in the Company's annual reports.

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

Trade receivables and loans and receivables impairment

The Company assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the Company makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Available-for-sale financial instruments impairment

The Company follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) 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 fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

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

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

1.2 Financial instruments

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

Classification

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

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

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

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Loans and receivables

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

Available-for-sale financial instruments

Other financial instruments are classified as available-for-sale and are carried at fair value. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial instruments are recognised through other comprehensive income in the period in which they arise. When these financial instruments are either derecognised or impaired, the accumulated fair value adjustments are reclassified and recognised in profit or loss.

Financial assets measured at fair value through profit or loss

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

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

Trade and other payables

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

Cash and cash equivalents

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

Financial assets (or part thereof) are derecognised when the Company realises the rights to the benefits specified in the contract, or the Company surrenders or otherwise loses control of the contractual rights that comprises the financial asset. On derecognition, the difference between the carrying amount of the financial asset and proceeds receivable, as well as any prior adjustment to reflect their value that has been recognised in other comprehensive income, is recognised in profit or loss.

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

Fair value determination

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

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

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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.

Impairment of financial assets

At each reporting date the Company assesses all financial assets, except assets carried at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the Company, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity as a reclassification adjustment to other comprehensive income.

Impairment losses are reversed when an increase in the financial assets' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Impairment losses are recognised in profit or loss. Impairment loss reversals, except for equity investments classified as available-for-sale, are recognised in profit and loss.

1.3 Tax

Current tax assets and liabilities

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

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

Deferred tax assets and liabilities

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

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

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

Tax expenses

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

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

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

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

1.4 Share capital and equity

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

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

1.5 Revenue

Interest for all financial instruments measured at amortised cost and interest-bearing financial assets classified as available-for-sale is recognised using the effective interest rate.

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

Notes to the annual financial statements

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for the year ended 31 March 2016

2. NEW STANDARDS AND INTERPRETATIONS

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

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Impact
2013 Annual Improvements	1 July 2014	No material impact.

2.2 Standards and interpretations not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Impact
IFRS 9 – Financial Instruments	1 January 2018	IFRS 9 is not expected to have a material impact on the Company as we currently own one equity investment which will continue to be recognised at fair value through profit or loss.
IFRS 15 – Revenue Standard	1 January 2018	No material impact.
IFRS 10, IFRS 12 and IAS 28 – amendments	1 January 2016	No material impact.

Notes to the annual financial statements

continued

for the year ended 31 March 2016

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

Please refer to the group structure note on page 24 which explains the transfer of investments to RIH.

Notes to the annual financial statements

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for the year ended 31 March 2016

3. INVESTMENTS (continued)

Level 1

Class 1 available-for-sale financial assets are valued at the listed price per the exchange on which they trade.

Class 2 available-for-sale financial assets are valued at the quoted price based on the latest over the counter trades.

Level 2

Class 3 available-for-sale financial assets are valued at the net asset value of the unit trust.

Class 4 available-for-sale financial assets are valued by taking the following market observable data into account and applying them to the holdings:

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

Level 3

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

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

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

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

Notes to the annual financial statements

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for the year ended 31 March 2016

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 subsidiary, RIH, to its underlying investments. In addition, a summary of the NAV of RIH as well as the underlying valuation techniques and sensitivities have been provided.

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

Notes to the annual financial statements

continued

for the year ended 31 March 2016

3. INVESTMENTS (continued)

31 March 2016

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

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

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

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

3. INVESTMENTS (continued)

2015

3.3 Description of significant unobservable inputs and sensitivities of RAC

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

Factors that were taken into account by management in all valuations include the current market conditions, the invested market segment and interest rate certainty. The market for these instruments often has significant barriers to entry, making the comparison pool of similar entities very shallow. Specifically, the retail pharmaceutical industry and hunting equipment industry have few market entrants with little reliable comparative data. The nature of the fair value calculations means that the calculated fair values could range greatly and are sensitive to indirect and direct quantifiable and unquantifiable inputs. Where we have influence over our investee companies we plan to play an active role in the long-term strategy of the Company, ensuring that our interests are aligned.

4. FINANCIAL ASSETS BY CATEGORY

The categorisation of financial assets is as follows:

	Amortised cost R	Loans and receivables R	Available-for-sale R	Financial assets at fair value through profit or loss R	Total R
2016					
Cash and cash equivalents	**1 381 153**	**–**	**–**	**–**	**1 381 153**
Investments	**–**	**–**	**–**	**983 290 784**	**983 290 784**
Loans and other receivables	**–**	**–**	**–**	**–**	**–**
	1 381 153	**–**	**–**	**983 290 784**	**984 671 937**
2015					
Cash and cash equivalents	3 349 953	–	–	–	3 349 953
Investments	–	–	411 493 018	370 731 886	782 224 904
Loans and other receivables	–	172 439 385	–	–	172 439 385
	3 349 953	172 439 385	411 493 018	370 731 886	958 014 242

	2016 R	2015 R
5. DEFERRED TAX		
Deferred tax liability	**–**	29 196 620
Temporary differences on receivables and payables	**–**	(71 312)
Temporary differences on fair value gains through profit or loss	**–**	16 123 595
Temporary difference on available-for-sale instruments	**–**	13 144 337
Reconciliation of deferred tax liability		
At beginning of year	**29 196 620**	12 424 971
Temporary differences on receivables and payables	**71 312**	(1 039 721)
Temporary differences on fair value gains through profit or loss	**(16 123 595)**	16 123 595
Temporary difference on available-for-sale instruments	**(13 144 337)**	1 687 775
	–	29 196 620

Notes to the annual financial statements

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for the year ended 31 March 2016

	2016 R	2015 R
6. LOANS AND OTHER RECEIVABLES		
Interest receivable	–	128 897
Dividends receivable	–	2 963 844
Loans receivable	–	169 341 888
Other receivable	–	4 756
	–	172 439 385
Non-current	–	169 341 888
Current	–	3 097 497
Credit quality of loans and other receivables The loans to investees in prior years were granted at either interest free or market-related interest rates and vary from no to set repayment terms, with no assets pledged as security against the loans.		
The Investment Manager assesses investible institutions by using independent risk ratings and internal research to assess credit limits when either RAC or RIH provide loans. Investment funds are placed with these institutions on the basis of the credit limits so established.		
Fair value of loans and other receivables	–	172 439 385
The carrying amount of loans and other receivables approximates its fair value. As of March 2016, no loans and other receivables were impaired, past due, or provided for.		
7. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of:		
Bank balances	**1 381 153**	3 349 953
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)	**1 381 153**	3 349 953

	2016 R	2015 R
8. 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		
5 000 000 ordinary shares of R0,01 each	**50 000**	50 000
Share premium	**49 950 000**	49 950 000
	50 000 000	50 000 000
45 000 000 non-cumulative redeemable participating preference shares	**450 000 000**	450 000 000

8. SHARE CAPITAL (continued)

As at 31 March 2016, five million ordinary shares were in issue. The beneficial interests as at 31 March 2016 are shown below. The Company also had 45 million preference shares in issue, shareholders with beneficial interests of 3% or greater are listed below:

Beneficial shareholder name	2016		2015	
Ordinary shares	**Number**	**%**	**Number**	**%**
Nicholas Viljoen Trust	–	–	2 500 000	50
Nicholas Viljoen Investment Company Proprietary Limited (PG Viljoen)	**2 500 000**	**50**	–	–
PG Viljoen	**1**	–	1	–
Theunis de Bruyn Family Trust	–	–	1 250 001	25
TATJ Investments Proprietary Limited (T de Bruyn)	**1 250 001**	**25**	–	–
TTOW Investments Proprietary Limited (JC van Niekerk)	**1 249 998**	**25**	1 249 998	25
Preference shares	**Number**	**%**	**Number**	**%**
SBSA ITF Nedgroup Investment Managed Fund	**4 500 000**	**10,0**	4 500 000	10,0
Coronation Capital Plus Fund	**3 510 549**	**7,8**	3 478 849	7,7
SBSA ITF RECM Global Flexible Fund	**2 613 135**	**5,8**	2 508 394	5,6
SBSA ITF Nedgroup Investment Stable Fund	**1 752 334**	**3,9**	2 582 303	5,7
Allan Gray Equity Fund	**1 360 487**	**3,0**	1 348 411	3,0
TNT Trust (T Rossini)	**1 350 000**	**3,0**	1 350 000	3,0
PG Viljoen	**1 334 025**	**3,0**	1 334 025	3,0

Public shareholders analysis

	2016		2015	
Security holders analysis	**Number**	**%**	**Number**	**%**
Ordinary shares				
Non-public	**4**	**100,00**	4	100,00
Preference shares				
Public	**708**	**96,59**	697	97,80
Non-public	**25**	**3,41**	16	2,20

	2016 R	2015 R
9. TRADE AND OTHER PAYABLES		
Trade payables	**865 055**	873 259
Audit fee payable	**189 396**	568 182
Directors' fee payable	**449 901**	263 544
	1 504 352	1 704 985

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

Notes to the annual financial statements

continued

for the year ended 31 March 2016

	Financial liabilities at amortised cost R	Total R
10. FINANCIAL LIABILITIES BY CATEGORY		
2016		
Trade and other payables	**1 504 352**	**1 504 352**
	1 504 352	**1 504 352**
2015		
Trade and other payables	1 704 985	1 704 985
	1 704 985	1 704 985

	2016 R	2015 R
11. REVENUE		
Dividend revenue		
Unit trusts	**–**	662 366
Listed financial assets	**–**	15 696 718
Unlisted financial assets	**6 500 000**	5 117 781
Total dividend revenue	**6 500 000**	21 476 865
Interest revenue		
Bank	**101 449**	2 427 378
Financial assets	**–**	6 815 808
Total interest revenue	**101 449**	9 243 186
Total revenue	**6 601 449**	30 720 051
12. OTHER INCOME		
Reclassification of fair value gains through profit or loss on disposal of available-for-sale financial instruments	**93 094 588**	17 149 208
	93 094 588	17 149 208

Please refer to the group structure note on page 24 which provides additional information on the other income in the current year.

Notes to the annual financial statements

continued

for the year ended 31 March 2016

	2016 R	2015 R
13. TAXATION		
Major components of the tax expense		
Current		
Income tax – current period	**27 923**	5 876 571
Income tax – prior period	**7 745 795**	318 837
– capital gains tax	**4 866 070**	–
– prior year under provision	**–**	318 837
– prior year assessments and interest	**2 879 725**	–
Deferred		
Current period	**(16 052 283)**	11 121 745
	(8 278 565)	17 317 153
Reconciliation of the tax expense		
Reconciliation between accounting profit and tax expense		
Accounting profit	**127 799 557**	303 726 596
Tax at the applicable tax rate of 28% (2015: 28%)	**35 783 876**	85 043 447
Tax effect of adjustments on taxable income		
Prior year under provision	**7 745 795**	318 837
Tax rate differential for capital gains	**(26 066 485)**	(7 681 279)
Non-taxable income	**(1 820 000)**	(5 920 851)
Non-taxable fair value adjustments	**(8 261 437)**	(56 237 318)
Non-taxable S42 transfer	**(16 052 283)**	–
Non-tax deductible expenses	**391 969**	1 794 317
	(8 278 565)	17 317 153
14. AUDITORS' REMUNERATION		
Fees for audit services	**293 895**	881 682
Current year	**189 397**	568 182
Prior year	**104 498**	313 500
Fees for non-audit services	**–**	11 400
	293 895	893 082

	Gross R	Tax R	Net R
15. OTHER COMPREHENSIVE INCOME			
2016			
Components of other comprehensive income			
Available-for-sale financial instrument adjustments			
Reclassifications arising during the year:			
Listed shares – quoted	**(64 776 917)**	**9 146 070**	**(55 630 847)**
Unlisted shares – quoted and unquoted	**(28 317 671)**	**3 998 267**	**(24 319 404)**
Unit trusts	**–**	**–**	**–**
	(93 094 588)	**13 144 337**	**(79 950 251)**

Notes to the annual financial statements

continued

for the year ended 31 March 2016

	Gross R	Tax R	Net R
15. OTHER COMPREHENSIVE INCOME (continued)			
2015			
Components of other comprehensive income			
Available-for-sale financial instrument adjustments			
Gains/(losses) arising during the year:			
Listed shares – quoted	43 064 284	(8 038 666)	35 025 618
Unlisted shares – quoted and unquoted	18 739 153	(3 497 975)	15 241 178
Unit trusts	(31 537 606)	5 886 737	(25 650 869)
	30 265 831	(5 649 904)	24 615 927
16. FAIR VALUE GAINS ON SUBSIDIARIES AND ASSOCIATES			
2016			
Gains arising during the year:			
Unlisted shares – Subsidiary	**29 505 129**	**–**	**29 505 129**
	29 505 129	**–**	**29 505 129**
2015			
Gains arising during the year:			
Unlisted shares – Subsidiary	117 030 617	–	117 030 617
Unlisted shares – Associates	170 193 342	(16 123 595)	154 069 747
	287 223 959	(16 123 595)	271 100 364

Deferred tax has not been recognised on the fair value gains on the investment in RIH and previously the associates 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 R145 661 870 (2015: R200 847 560). Deferred tax has been recognised in RIH on the investments that it expects to incur taxes on when realising their value.

	2016 R	2015 R
17. EARNINGS AND HEADLINE EARNINGS PER SHARE		
Earnings and headline earnings per shares are based on the profit attributable to ordinary and preference shareholders in issue during the year.		
Number of shares in issue		
Ordinary shares	**5 000 000**	5 000 000
Preference shares	**45 000 000**	45 000 000
Earnings		
Net profit after tax	**136 078 122**	286 409 443
Adjusted to headline earnings as follows:		
Reclassification of fair value gains through profit or loss on disposal of available-for-sale financial instruments	**(93 094 588)**	(17 149 208)
Impairment	**–**	21 225 692
Tax adjustment	**–**	(760 944)
Headline earnings	**42 983 534**	289 724 983
Basic and diluted earnings per ordinary and preference shares (cents)	**272**	573
Headline earnings per ordinary and preference shares (cents)	**86**	579

Notes to the annual financial statements

continued

for the year ended 31 March 2016

	2016 R	2015 R
18. CASH UTILISED IN OPERATIONS		
Profit before taxation	**127 799 557**	303 726 596
Adjustments for:		
Dividends received	**(6 500 000)**	(21 476 865)
Interest received	**(101 449)**	(9 243 186)
Impairment	**–**	21 225 692
Unrealised gain on investments	**(29 505 129)**	(287 223 959)
Reclassification of fair value gains through profit or loss on disposal of available-for-sale financial instruments	**(93 094 588)**	(17 149 208)
Changes in working capital:		
Trade and other receivables	**–**	659 854
Trade and other payables	**672 626**	(156 655)
	(728 983)	(9 637 731)
19. TAX PAID		
Balance at the beginning of the year	**(139 192)**	(1 594 711)
Current tax for the year recognised in profit	**(7 773 718)**	(6 195 408)
Balance at the end of the year	**66 269**	139 192
	(7 846 641)	(7 650 927)

20. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

Subsidiary

As at year-end, RAC has a single investment being a 100% (2015: 100%) held subsidiary, RAC Investment Holdings (Pty) Ltd ("RIH"). The subsidiary is not consolidated due to the Company adopting the investment entity exemption (refer note 1). RIH is an investment holding Company, operating in South Africa. For additional information relating to RIH, as well as the underlying investments, please refer to the Group structure note (see page 24) as well as note 3.

RIH holds the following investments as at 31 March 2016

Subsidiaries

As at year-end RIH has a 34,5% (2015: 34,5%) economic interest in Goldrush Group (Pty) Ltd ("Goldrush") which is incorporated in South Africa and has interests in both bingo and Limited Pay Out Machine licences in Southern Africa. RIH has an option to acquire additional shares in Goldrush, which will give it majority voting rights. RIH has 31,5% of the voting rights as at year-end.

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

During the current year, RIH purchased a 79.29% stake in SA College of Home Study (Pty) Ltd ("College SA"). College SA is a FET-Level college in South Africa and is registered and accredited by a number of regulatory bodies. They specialise in providing distance education to students across the country.

Associates

As at the prior year-end, RAC held a 27% interest in Outdoor Investment Holdings (Pty) Ltd (previously named Safari and Outdoor Warehouse (Pty) Ltd ("S&O")). S&O is the largest hunting and safari related shop in South Africa with a wide range of products catering for all hunting requirements. This investment was transferred to RIH during the current year (refer to the Group structure note on page 24). As at year-end, RIH holds a 28,3% interest in S&O.

As at the prior year-end RAC held a single ordinary share in Fledge Holdings (Pty) Ltd along with 50% of the class B shares. The rights and conditions allowed RAC to appoint two members to the Board of directors of Fledge Holdings along with protective voting rights. Fledge Holdings is an investment vehicle with a minority interest in a leading South African pharmacy group. This investment was transferred to RIH during the current year (refer to the Group structure note on page 24) and as at 31 March 2016 RIH still held this investment.

Notes to the annual financial statements

continued

for the year ended 31 March 2016

20. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES (continued)

As at the prior year-end RAC held a 27,2% interest in West Coast Resources (Pty) Ltd ("WCR"). WCR is in the business of diamond mining and exploration on the West Coast of South Africa. This investment was transferred to RIH during the current year (refer to the Group structure note on page 24) where a 27,2% interest is still held at year-end.

As at the prior year-end RAC had a 25% interest in Trans Hex Group Limited ("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. This investment was transferred to RIH during the current year (refer to Group structure note on page 24) where it is still held at year-end.

21. RELATED PARTIES

Relationships

Shareholders with significant influence	Nicholas Viljoen Investment Company (Pty) Ltd (2015: Nicholas Viljoen Trust); Piet Viljoen; TATJ Investments (Pty) Ltd;(2015: Theunis de Bruyn Family Trust); 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.
Associates	Outdoor Investment Holdings (Pty) Ltd (previously named Safari and Outdoor Warehouse (Pty) Ltd); Fledge Holdings (Pty) Ltd; West Coast Resources (Pty) Ltd; Trans Hex Group Limited; Sentula Mining Limited.
Members of key management	De Bruyn, T; Van Niekerk, JC; Viljoen, PG
Common directorships	Regarding Capital Management (Pty) Ltd (Investment advisor) RECM Services (Pty) Ltd (Investment research provider) RAC Investment Holdings (Pty) Ltd; Calibre Capital (Pty) Ltd

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

	2016 **R**	2015 R
Related party transactions		
Revenue received from related parties		
RAC Investment Holdings (Pty) Ltd – dividend	**6 500 000**	–
RECM Institutional Worldwide Flexible Fund		
– Dividends	**–**	662 366
– Interest	**–**	3 341 937
Fledge		
– Dividends	**–**	4 066 200
Safari and Outdoor		
– Interest	**–**	1 619 615
Asset management fee paid to related parties		
Regarding Capital Management (Pty) Ltd	**–**	3 797 133
RECM Services (Pty) Ltd	**–**	3 797 133
Administrative fee paid to related parties		
Regarding Capital Management (Pty) Ltd	**–**	684 000
Shares purchased in RAC Investment Holdings (Pty) Ltd in exchange for investments and loans and receivables	**836 735 038**	–
Sale of investments to RAC Investment Holdings (Pty) Ltd	**665 174 287**	–
Sale of loans and receivables to RAC Investment Holdings (Pty) Ltd	**58 246 292**	–

Notes to the annual financial statements

continued

for the year ended 31 March 2016

	2016 R	2015 R
21. RELATED PARTIES (continued)		
Related party balances		
Amounts included in loans and receivables regarding related parties		
RECM Institutional Worldwide Flexible Fund	**–**	–
RAC Investment Holdings (Pty) Ltd	**–**	114 059 440
Safari and Outdoor (Pty) Ltd	**–**	10 000 000
Fledge Holdings (Pty) Ltd	**–**	12 886 256
West Coast Resources (Pty) Ltd	**–**	35 360 036
RAC directors with material interests in contracts entered into by RAC or RIH		
Messrs PG Viljoen and JC van Niekerk, are directors of Regarding Capital Management (Pty) Ltd, and RAC. Messr T de Bruyn, PG Viljoen and JC van Niekerk are directors of Calibre Capital (Pty) Ltd. Messr JC van Niekerk is a director of RAC and RIH.		
22. DIRECTORS' EMOLUMENTS		
Directors' emoluments consist of directors' fees and are considered to be short-term benefits which are paid in the year.		
Gerhard Swiegers	**192 643**	182 022
Trent Rossini	**128 629**	40 450
Zanele Matlala	**128 629**	40 450
Vernon Davis	**–**	70 786
Gerrit Pretorius	**–**	70 786

Executive directors do not receive any directors' fees from the Company and the Company has no employees.

23. RISK MANAGEMENT

Risk management objectives and policies

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

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

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

Market risk

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

23. RISK MANAGEMENT (continued)

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 adviser and regularly reported on to the Board of Directors. Significant investments are reviewed in advance by the Board. A decrease or increase of 3% in the market price would have an estimated R7,4 million (2015: R8,2 million) 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 R9,8 million.

Interest rate risk

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

Based on the exposure as at 31 March 2016 if interest rates had been 1% higher/lower with all other variables held constant, post-tax profit for the year of RAC would have been R103 029 (2015: R46 422) higher/lower.

During the current year, RIH issued preference shares to a third party with a preference dividend rate which is linked to prime. A 1% change in prime will result in RIH needing to pay an additional R0,7m of preference dividends per year.

Liquidity risk

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

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

RAC	Less than 60 days R	Over 60 days R
At 31 March 2016		
Trade and other payables	**1 504 352**	**–**
At 31 March 2015		
Trade and other payables	1 704 985	–

The maturity groupings for RIH are as follows:

RIH	Less than 1 year R	1 to 2 years R	2 to 5 years R	More than 5 years R	Total R
At 31 March 2016					
Loans and payables	**33 417 637**	**6 191 594**	**54 168 615**	**–**	**93 777 846**
Contingent consideration	**19 129 854**	**–**	**–**	**–**	**19 129 854**
At 31 March 2015					
Loans and payables	114 097 767	–	–	–	114 097 767
Contingent consideration	40 861 411	17 168 894	–	–	58 030 305

23. RISK MANAGEMENT (continued)

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 R82 037 280. No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

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

24. GUARANTEE, CESSION AND PLEDGE

During the current financial year, RIH issued 50 preference shares at R1m each to ABSA Bank Limited ("ABSA"). At year-end the capital balance of R50m was outstanding. A preference dividend is payable on the preference shares on 31 March and 30 September each year at a rate equivalent to115% of the prime overdraft rate and they are redeemable on 5 December 2018.

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
- 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.

25. 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.

26. SUBSEQUENT EVENTS

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

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

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

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

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

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

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, 27 July 2016, at 11:00 for the purposes of passing, if approved, the following resolutions with or without modification:

SPECIAL RESOLUTION NUMBER ONE

Approval of independent non-executive directors' remuneration

"RESOLVED THAT the independent non-executive directors' fees for services rendered as directors for the financial year 2017 be determined as follows:

Directors' fees	Year ended 31 March 2017
Board member	136 347
Chairman – Audit and Risk Committee	113 653

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

ORDINARY RESOLUTION NUMBER ONE

Approval of annual financial statements

"RESOLVED THAT the audited annual financial statements of the Company for the year ended 31 March 2016 be accepted and approved."

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

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

ORDINARY RESOLUTION NUMBER TWO

Reappointment of auditors

"RESOLVED TO appoint Ernst & Young Inc. as the Company's auditor, as nominated by the Company's Audit and Risk Committee and to note that the individual registered auditor who will undertake the audit during the financial year ending 31 March 2017 is Mr MP Rapson."

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

ORDINARY RESOLUTION NUMBER THREE

Election of director

"RESOLVED THAT 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 director

"RESOLVED THAT Mr T Rossini who retires in terms of article 35.12 of the Company's Memorandum of Incorporation and who has offered himself for re-election, be re-elected as an independent non-executive director of the Company."

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

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

ORDINARY RESOLUTION NUMBER FIVE

Election of Audit and Risk Committee member

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

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

ORDINARY RESOLUTION NUMBER SIX

Election of Audit and Risk Committee member

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

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

ORDINARY RESOLUTION NUMBER SEVEN

Election of Audit and Risk Committee member

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

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

VOTING AND PROXIES

Voting

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

The voting record date, being the date to be recorded in the register to be eligible to speak and vote at the annual general meeting, is Friday, 15 July 2016 and the last date to trade is Tuesday, 12 July 2016.

Notice of annual general meeting

continued

Electronic participation

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

Proxies

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

A form of proxy is attached for the convenience of certificated shareholders and "own name" dematerialised shareholders of the Company who are unable to attend the annual general meeting, but who wish to be represented thereat. In order to be valid, duly completed forms of proxy must be received by the Company's Transfer Secretaries, Link Market Services South Africa (Pty) Limited, 13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein, 2004 (PO Box 4844, Johannesburg, 2001) not later than 11:00 on Monday, 25 July 2016.

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 meeting in order for their Participant or broker to vote in accordance with such instructions. If such dematerialised shareholders of the Company wish to attend the Company's annual general meeting in person, they must request their Participant or broker to issue the necessary Letter of Representation to them. This must be done in terms of the agreement entered into between such dematerialised shareholders of the Company and the relevant Participant or broker. If your Participant or broker does not obtain instructions from you, they will be obliged to act in terms of your mandate furnished to them.

The posting record date, being the date recorded in the register to be eligible to receive this notice of annual general meeting is Friday, 3 June 2016.

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

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

By Order of the Board

G Simpson
Company Secretary

Cape Town

10 June 2016

Registered office:
8th 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 (*Executive Director)*
Z Matlala (*Independent Non-Executive Director)*
T Rossini (*Independent Non-Executive Director)*
JG Swiegers (*Independent Non-Executive Director)*
JC van Niekerk (*Executive Financial Director)*
PG Viljoen (*Executive Chairman)*

COMPANY SECRETARY
G Simpson

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

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

POSTAL ADDRESS
PO Box 45040
Claremont
7735

TELEPHONE NUMBER
(021) 657 3440

EMAIL ADDRESS
info@recm.co.za

WEBSITE
www.racltd.co.za

AUDITORS
Ernst & Young Inc.
Ernst & Young House
35 Lower Long Street
Cape Town 8001
(PO Box 656, Cape Town, 8000)

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

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

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

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

FINANCIAL SERVICES PROVIDER
Regarding Capital Management (Pty) Ltd
7th Floor, Claremont Central
8 Vineyard Road
Claremont
Cape Town, 7700
(PO Box 45040, Claremont, 7735)

Form of proxy

RECM AND CALIBRE

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

For use of ordinary shareholders who are:

Registered as such and who have not dematerialised their RAC ordinary shares; or 2. Hold dematerialised RAC ordinary shares in their "own name" at the RAC annual general meeting to be held at the Southern Sun Newlands, 7 Main Road, Newlands, Cape Town on Wednesday, 27 July 2016 at 11:00.

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

I/We (please print name in full) ____________________

of (address) ____________________

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

1. ____________________ or failing him

2. ____________________ or failing him

3. the chairman of the annual general meeting as my/our proxy to act for me/us at the annual general meeting which will be held on Wednesday, 27 July 2016 at 11:00 at the Southern Sun Newlands, 7 Main Road, Newlands, Cape Town for the purposes of considering and, if deemed fit, passing with or without modification, the resolutions to be proposed thereat and at each adjournment or postponement thereof, and to vote for and/or against the resolutions and/or abstain from voting in respect of the shares in the issued share capital of the Company registered in my/our name(s) (see note 2).

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

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

Signed at __________ on __________ 2016

Signature ____________________

Assisted by (where applicable) ____________________

Number of shares ____________________

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

Please read the notes on the reverse side hereof.

Notes to the proxy form

1. A shareholder may insert the name or names of two alternative proxies of the shareholder's choice in the space provided, with or without deleting "the chairman of the annual general meeting" but any such deletion must be initialled by the shareholder.
2. A shareholder's instruction to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the space provided. Failure to comply with the above will be deemed to authorise the proxy to vote or abstain from voting at the annual general meeting as he deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or his proxy is not obliged to use all the votes exercisable by the shareholder or his proxy, or cast them in the same way.
3. Any alteration or correction made to this form must be initialled by the signatory/ies.
4. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form unless previously recorded by the transfer secretaries or waived by the chairman of the annual general meeting.
5. The completion and lodging of this form will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms thereof, should such shareholder wish to do so.
6. The chairman of the annual general meeting may reject or accept any form of proxy which is completed and/or received other than in accordance with these instructions, provided that he is satisfied as to the manner in which a shareholder wishes to vote.
7. A minor must be assisted by his/her parent/guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Company.
8. Where there are joint holders of any shares:
    - any one holder may sign this form of proxy;
    - the vote(s) of the senior shareholders (for that purpose seniority will be determined by the order in which the names of shareholders appear in the Company's register of shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).
9. Forms of proxy must be lodged with or posted to the Company's Transfer Secretaries to be received by 11:00 on Monday, 25 July 2016.

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.

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

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

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

G Simpson
Company Secretary

NOTICE OF INTENTION TO BE PRESENT AT THE MEETING

I, ________________________________ , being an ordinary/preference shareholder of RECM and Calibre Limited intend being present at the meeting to be held at the Southern Sun Newlands, 7 Main Road, Newlands, Cape Town on Wednesday, 27 July 2016 at approximately 11:00.

Signed: ______________________________

Date: ______________________________

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

Email: ______________________________