RAC

RECM AND CALIBRE

INTEGRATED ANNUAL REPORT 2018

Contents

Company profile

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

INVESTMENT OBJECTIVE

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

RISK MANAGEMENT

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

INVESTMENT UNIVERSE

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

STRUCTURE

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

INVESTMENT MANAGEMENT

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

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

RECM thus performs:

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

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

Board of directors

PIETER GERHARDT VILJOEN (55)

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 (50)

Non-Executive Director

CA(SA)

Appointed: 24 June 2009

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

JOHANNES CORNELIS VAN NIEKERK (43)

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 (63)

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 (55)

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 (50)

Independent Non-Executive Director

Bsc (Mech) Engineering, GDE (Industrial Engineer)

Appointed: 1 December 2014

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

Shareholders’ letter

To our fellow shareholders

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

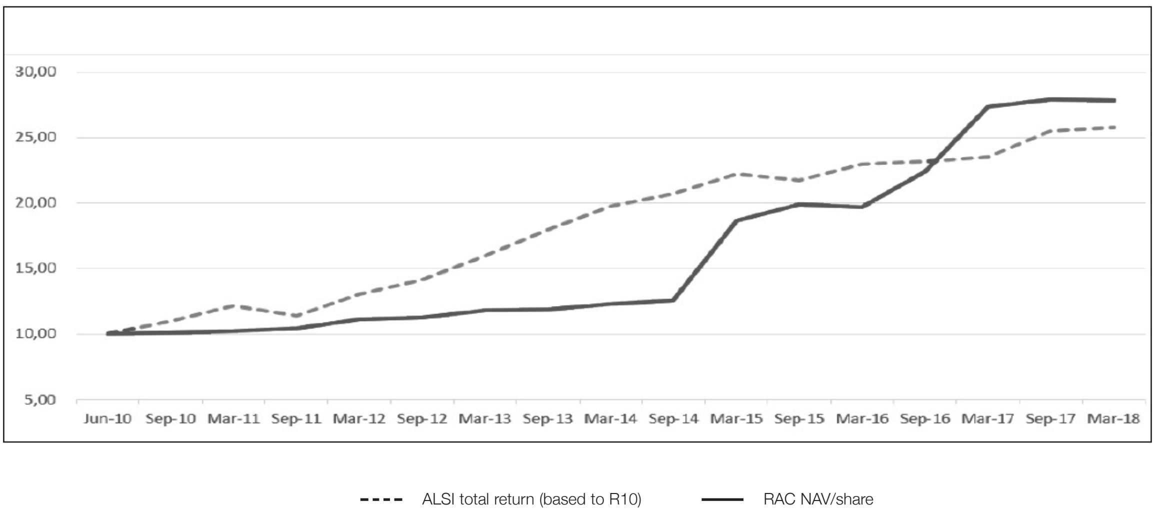
Our strategy to achieve our goal is to partner with companies – predominantly privately held – and provide them with capital and advice (in the required proportion) to fulfil their potential.

The past financial year has been one of investing for the future of our company, so our NAV per share growth was muted. As the management of the investee companies successfully implement their plans, we know that, as a group, the potential for further growth in their underlying intrinsic value increased. We expect to see this year’s positive developments in our portfolio companies reflected in further future growth in profits.

Growth in per share NAV (our preferred method of measuring value creation) was 1,6% for the past 12 months. This compares to the All Share Index total return for the year of 9,6%.

To become recognized as an exceptional investment vehicle takes time, but we believe we are firmly on track. RAC has grown its NAV per share by 16,3% annually since inception, compared to the All Share Index (Total Return) growth rate of 15,1%. Over the same period, the Rand has depreciated by 5,8% annually. RAC has thus compounded its NAV by over 10% p.a. in US$ terms.

The following chart shows our progression against the JSE All Share Index, including dividends. R10 invested in RAC participating preference shares in June 2010 has grown to R27,77 in Net Asset Value after all fees and taxes. The same amount invested in the JSE All Share Index would have grown to R25,79, before taking any fees or possible taxes into account.



Shareholders' letter

continued

The NAV per share growth of 1,6% over the last year implies an increase of R21,9m. The composition of this increase on a look-through basis is as follows:

	2018 R	2017 R
Interest and dividends	**32 422 299**	339 583 909
Realised profits on sale of assets	**4 940 113**	30 027 593
Adjustments to fair value of assets	**66 718 843**	114 212 226
Share issue and buy back	**–**	24 502 250
Operating expenses	**(25 832 074)**	(20 752 921)
Financing expenses	**(34 262 759)**	(17 123 473)
Tax paid	**(9 146 238)**	(11 021 088)
Tax (provided for)/reversed	**(12 949 549)**	(43 740 480)
Net increase in NAV	**21 890 635**	415 688 016

This year, the largest component of return was in the form of revaluations. We did not exit very many investments, and our investment income is still low. As Goldrush, our largest investment, matures we anticipate a much stronger flow of dividends – which we expect to happen in the next few years.

Our main operating expense is the management fee we pay. This fee amounts to 1% (excluding VAT) of the portfolio. There are other small additional costs, such as external director's fees – but we work hard to keep the costs of managing the business as low as possible. Most listed businesses with a similar market value, have central costs well in excess of RAC's.

We explicitly provide for deferred capital gains tax (CGT), where applicable on our unrealised gains at the statutory rate.

OUR INVESTMENTS

Please refer to the table below for our portfolio of investments.

Our core investments, where we have a significant stake in the business, and associated influence, are grouped together. We expect to be long-term capital partners of these businesses and their management teams. At year-end, this made up 83% of our asset base. Our minority stakes are now grouped separately under the heading of Portfolio Investments and make up 10% of our asset base. There is a third group called Other Investments. This consists of interests in investments we are either in the process of exiting or acquiring. Either way, we do not think it is in our shareholders' best interest that we disclose any specifics of this group, as this could have the effect of jeopardising any transactions.

Shareholders' letter

continued

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

	% Ownership	% of total assets	Directors Fair Value at 31 March (R'm) 2018	2017	2016
Core investments		**83**	**1 682,0**	**1 290,6**	**793,9**
Goldrush	51	46	941,1	816,4	446,8
Astoria	28	19	386,4	95,0	–
JB Private Equity (UCP)	90	5	106,1	100,9	60,9
Transhex	32	6	114,4	110,0	94,6
West Coast Resources	–	–	–	53,3	112,4
Outdoor Investment holdings	29	4	82,5	59,9	56,9
College SA	88	3	51,5	55,1	22,3
Portfolio investments		**10**	**203,7**	**175,4**	**337,9**
DAWN	17	4	78,5	–	–
LA Concorde	5	2	43,9	42,3	19,3
RECM Hedge Fund	–	2	42,4	–	–
Conduit Capital	2	2	38,9	46,2	44,6
Excellerate	–	–	–	34,0	26,3
ELB Group	–	–	–	21,2	13,2
Sovereign Food	–	–	–	18,4	57,5
KLK Landbou	–	–	–	13,3	9,4
Fledge Holdings	50	–	–	–	167,6
Other investments		1	**22,2**	50,3	22,3
Cash and receivables		6	**123,1**	178,9	3,3
Total Assets			**2 031,0**	1 695,2	1 157,4
CGT and other liabilities		(7)	**(132,4)**	(146,3)	(124,3)
Bank funding		(24)	**(477,9)**	(150,1)	(50,0)
Net Assets			**1 420,7**	1 398,8	983,1
Net Asset Value per Share ("R")			**27,77**	27,35	19,66

Some notes on our valuation methodology

IFRS requires RAC, as an investment entity, to place a fair value on all its assets. We have not changed our valuation methodology. Where possible, we use market prices, either listed or over the counter. For assets where there is no visible market price, we perform a valuation exercise, which culminates in a range of fair values, as required by IFRS. Due to the inherent uncertainty of valuing large stakes in unlisted, untraded assets, this range is necessarily quite wide. For some of our unlisted investments, this range includes the original cost price. In select circumstances, we have provided debt to some of our investee companies. In these rare instances, our valuations above include both equity and debt.

Our Investments

1. Goldrush

Goldrush is entrenching its position as the largest alternative gaming group in the country. At year end, Goldrush operated 24 Bingo sites, up from 14 last year. The group operated 1 671 Limited Payout Machines (1 537 last year) out of a total licensed opportunity of 4 200 (4 200 last year). The group operated 28 sports betting shops (23 last year), out of a potential opportunity of 36 licenses (36 last year).

Goldrush operates in all 9 provinces of the country, as well as in Lesotho and Tanzania. The group employs more than 2 500 staff throughout its operations. Its customers are served under the Goldrush (Bingo, LPM), Bingo Royale (Bingo), Crazy Slots (LPM), G-bets (Sports betting and Online betting) brands.

During the last year, the transaction to acquire the Boss Gaming Group, an operator of Bingo and LPMs in the Eastern Cape and KZN regions became unconditional. This has so far turned out to be a very good transaction for Goldrush as Boss contributed significantly to this year's earnings, especially when compared to the price we paid.

With the exception of two of our Pretoria Bingo properties and one Johannesburg Bingo property, our existing operations experienced strong organic growth in all areas – Bingo, LPM's and Sports Betting. The relocation of the Sun International Casino license from the Morula complex to Times Square, Menlyn Maine, impacted the Atterbury and Kolonnade Bingo properties severely. We have not seen any recovery from this impact as yet. We mitigated some of the impact on a third Pretoria property, by relocating the license from Centurion to the vacated Morula complex. This relocation however meant that this license was not trading optimally for some time during the year.

During September 2017, the KZN legislature formally approved the legalisation of Electronic Bingo as a form of Bingo that is allowed in the province. We can now roll out our Bingo properties in the province.

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

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

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

Summary of gaming licenses in the group

		Mar 2015	Mar 2016	Mar 2017	**Mar 2018**
Bingo	Licenses Owned	11	14	18	**32**
	Licenses Rolled out	11	14	14	**24**
LPM *	Route/ISO Licenses Owned	4	6	9	**9**
	Machines Approved	1 900	2 520	4 200	**4 200**
	Machines Rolled out	1 042	1 360	1 537	**1 671**
Sports Betting	Licenses Owned	19	30	36	**36**
	Licenses Rolled out	15	18	23	**28**

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

In the past financial year, group revenue exceeded R1bn for the first time, after an increase of 42,7% from the prior year. This includes the contribution from acquired businesses. Sustainable EBITDAR (the measure we use to evaluate the progress of the business) increased by 30,8%. Net financial indebtedness increased this year to fund acquisitions and developments.

Shareholders' letter

continued

Selected financial information for the Goldrush Group

	Mar 2015 (R'm)	Mar 2016 (R'm)	Mar 2017 (R'm)	**Mar 2018 (R'm)**
Total Revenue	517,4	627,1	747,2	**1 038,1**
Sustainable EBITDAR	151,2	181,3	229,5	**300,0**
Net Financial Indebtedness	101,0	96,1	112,8	**436,5**

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

The multiple used for our valuation increased slightly over the last year from 6,5 to 7 to reflect the increased quality of the business due to scale and to acknowledge positive developments in the regulatory environment, especially in KZN.

We remain cautious in our valuations, as a number of regulatory hurdles remain. As an example, the South African Government recently published for comment the Control Of Tobacco Products And Electronic Delivery Systems Bill, which seems to include potentially severe restrictions on the use of tobacco products in all public areas. This could have a detrimental impact on Goldrush operations.

Goldrush is an example of the potential outcome of a good management team in charge of a good business. Due to its nature, and despite significant recent growth, Goldrush still has a long growth path ahead of it as existing operations mature and new operations are initiated. The entire KZN opportunity has only just opened up. As the business grew and the team expanded our reach during the year, Goldrush spent in excess of R75m in development costs, compared to R34m last year. We expect 2018 to have been the heaviest year of development spend and anticipate strong but measured roll-outs going forward.

2. *Astoria Investments*

Astoria is a Mauritian domiciled investment company which has its shares listed in South Africa (JSE), Mauritius (SEM) and Namibia (NSX). It holds a portfolio consisting mainly of small minority stakes in global blue-chip companies. Despite also holding a smattering of private equity and other investments, Astoria's portfolio has tracked the MSCI World Index with uncanny accuracy since its listing in November 2015.

We think there is a better way of investing the capital of the business. It seems as if many Astoria shareholders (definitely many ex-shareholders) agree with us, as we have been able to build an ownership stake of almost 30% in the business at a significant discount to NAV over the last 18 months.

Investing in an offshore index will not help us generate the sort of returns we aim for, so for the time being we have hedged out a substantial portion of this exposure. RAC is effectively long of the (wide) discount to NAV.

Subsequent to year end, we have announced our intention to make an offer designed to acquire control of Astoria. If enough of the remaining Astoria shareholders accept our offer, they will receive R13,50 of value per Astoria share, of which all or a substantial portion could be in cash, depending on the take-up. There is however a chance that more shareholders accept our offer than what we are willing to pay for with cash. RAC will then issue RAC participating preference shares in addition to the cash component, with each Astoria share being sold to us for a value of R13,50, with payment made up partly of cash and partly in participating preference shares.

The best outcome for us is if we can pay all (in the case of a 30% take-up from remaining shareholders) or the majority with cash as issuing RAC participating preference shares at current NAV per share is in our opinion a very expensive form of finance.

Be that as it may, in the event that we manage to gain control of Astoria, both Astoria and RAC shareholders stand to benefit from the transaction. Beyond the commercial benefits, a reconstituted Astoria board can then pursue investments in good businesses, with good management, purchased at good prices. We suspect that these investments could generate returns as good as RAC's existing group, mainly because they are found in places where we have competence, i.e. places where many investors are loath to look.

Shareholders' letter

continued

In addition, the transaction will improve our shareholder spread and have some liquidity benefits for RAC shareholders.

Astoria shareholders who accept the offer, will receive a payment which is substantially higher than any price at which they would have been able to sell their shares in the recent past, that allows them to invest their cash proceeds in a low-cost tracker, or their favourite investment manager's fund, neither of which would trade at a discount and both of which would have much better liquidity than is currently the case in Astoria.

3. *JB Private Equity Partnership*

RAC owns 90% of JB Private Equity ("JB") an entity that has as its only investment a 37% stake in Unicorn Capital Partners ("UCP"), a company listed on the JSE. RAC initially invested in UCP in April 2015. In October of that year we appointed Jacques Badenhorst as CEO. It has taken him almost three years to get the business where there seems to be light at the end of the tunnel. We have learned some valuable lessons in this process. For more on this, see our discussion of DAWN, below.

During the 2018 financial year Unicorn was able to start reaping the benefits of the investments made in Ritchie Crane Hire and Jef Drill and Blast. Both companies delivered attractive growth in earnings. Geosearch's performance continued to improve while we were also able to exit our remaining contract mining activities. The re-opening of our Nkomati Anthracite underground mine, the expansion of our open pit mine as well as the commissioning of our new wash plant are on track. Group overhead expenses continue to decline while the ring-fencing of operating entities has been completed.

Going forward, Unicorns' strategy is to invest in businesses that have good investment characteristics and yield attractive returns on capital. Investments are managed on a standalone, ring-fenced, basis with Unicorn providing support to these investments through capital allocation, investment decisions and strategy.

We value the partnership based on its holding of UCP, which in turn, is valued at its listed price.

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

4. *Transhex*

Transhex has had a torrid year. Its operations in the Lower Orange River ("LOR") reached the end of their life and were mothballed. Unfortunately, this had the consequence of large scale retrenchments, at great cost to the company. West Coast Resources started to overcome its teething problems but was still loss making for the year. The Angolan business performed in line with expectations, but it remains difficult to repatriate cash profits to South Africa out of Angola.

All of the above meant that Transhex produced a significant loss for the year. Their full set of results can be accessed at www.transhex.co.za.

We are very disappointed by this outcome. As these circumstances currently dictate, we have stepped in as a member of the controlling shareholder grouping of Transhex. Together with our partners and management, we are proactively acting to recover value. Head office costs have been cut significantly, disposals are being sought, and additional resources are being evaluated. Subsequent to year end, the mothballed LOR operations have been sold for an effective R70m in cash. The buyer has also taken over the full environmental rehabilitation liability.

Our investment in TSX is carried at the market price, which has declined by 58% over the past year.

During the course of the year, RAC exchanged its direct holding of West Coast Resources ("WCR") (a subsidiary of Transhex) for additional shares in Transhex. As such, our shareholding increased to 31,2%. Transhex now owns 67,2% of WCR.

5. *Outdoor Investment Holdings*

Outdoor Investment Holdings is primarily focused on the outdoor and sport shooting industry. It serves the market through the national retailer Safari & Outdoor as well as wholesalers Inyathi Sporting Supplies and Formalito. As a retailer which is effectively exposed to discretionary spending in the local economy, OIH performed well for the year ended 28 February 2018. Turnover grew 13% to R674m and operating margin remained constant around 9% and NAV increased to R170m.

2018 will see the retail arm, Safari & Outdoor, open a 5th store towards the third quarter. The industry remains under pressure due to currency fluctuations and excessive industry stock levels as international brands all compete for larger stakes in the South African market.

6. ***College SA***

College SA houses our education-focused assets. This tertiary education group serves students under three brands, namely "College SA", "Tabaldi Online Accounting Classroom" and "IASeminars". Through these three brands, the business served almost 5 400 active students last year, compared to 5 000 the year before.

At College SA, the Technical and Vocational Education and Training college, sales fell by 29.6% during the year, which is contrary to what one would have expected given the fantastic opportunity created by a combination of government's continuous under-spending on all areas related to education, and the growing demand for education. The narrative around "Free Tertiary Education" and #Feesmustfall has certainly also played its part in encouraging students to delay enrolments, cancel existing courses or simply just stop paying. Ironically, the increased tax burden on consumers to pay for so-called free education has contributed to creating such tough economic circumstances for the average South African, that their ability to pay for many necessities, including education, has been impacted.

IASeminars experienced decent sales growth, topping the previous year by 33,5%. This was driven by a combination of repeat-customers, together with a pick-up in the roll-out of IPSAS, the accounting standard for non-public institutions.

At Tabaldi the team delivered its first product to the market in time for enrolment season 2018. The program supports CTA students through UNISA and students from other universities requiring higher levels of support. In the meantime, the team is developing further products as we increase the range of qualifications we support, facilitate and eventually will offer.

Our valuation for the College SA group reflects the reduced profitability of College SA and our conservative approach in valuing the qualifications we are busy developing, but from which we are yet to receive any revenue. The valuation for IASeminars was impacted by a strengthening of the Rand over the last year.

7. ***DAWN***

RAC owns 16,8% of DAWN, a building supplies business. We first invested into DAWN just over a year ago, when we supported an emergency rights issue at (what we thought was) a deeply discounted price. We were of the opinion that our patient and supportive shareholding would help the business buy time to execute a turnaround strategy, as our experience with turnarounds has been that it typically takes longer than expected. Unfortunately, DAWN appears to be no exception. We are putting a lot of time and energy into assisting management with the turnaround. We trust that our combined effort will bear fruit in time to come.

With UCP (previously Sentula) we learnt some lessons about turnarounds:

- The price you pay for most investments is key to the investment outcome. For turnarounds, price is even more important. Unfortunately, we got this horribly wrong with DAWN.
- It is key to have a strong hand on the tiller, who is working for shareholders. Acting in the best interests of shareholders means that hard decisions get taken. We have seen too many struggling businesses being run mainly for the benefit of management, leading to short-term "easy" decisions being made. Ultimately these decisions lead to the complete downfall of the business.
- Before the business finally turns around there are many times that it looks more likely to fall over. You need to have management and shareholders fully aligned and working together to prevent this from happening. And even this is no guarantee of success.
- Even if you can get alignment between the different stakeholders, you still need the cycle to turn positive (or at least not decline further).
- And finally, you need that important ingredient in most business success stories, good luck.

8. La Concorde

RAC owns 5,1% of La Concorde, an unlisted company. HCI, the ultimate controlling shareholder, has been actively unlocking value over the past few years. Initially, they sold the operational assets for a cash amount more than double the value implied by the market price of La Concorde at the time. Two special dividends totaling R4,62 per share were then paid. A new business was injected into the shell, and unbundled to LC shareholders. Additionally, we are still left with the stub of remaining assets (mainly property and art) which is worth at least R2,50 per share. We have had an offer at this level, which we declined.

9. RECM Flexible Value Hedge Fund

We are firm believers in learning from one's experiences. As discussed in some of our previous letters to you, our experience in RAC has pointed us in the direction of having larger investments in private companies that we understand and where we have significant influence. Not because we have any superior skills at 'controlling' companies, but mostly because this kind of set-up changes the dynamics between us, our fellow investors and the management teams of the businesses. A working relationship like we have at Goldrush, Outdoor Investment Holdings, College SA or UCP is just not attainable with small holdings in public listed securities, despite our best efforts.

However, by the time we had come to this decision, we still had investments in a number of such positions which we acquired during the earlier part of our journey. These investments still offered significant return potential and we did not want to dispose of them straight away. So, when our sister company, RECM, launched their deep value hedge fund, we were day-1 investors through the contribution of our holdings in ELB, KLK, Putprop and York in exchange for units in the fund. The fund utilises a Collective investment Scheme structure that has many benefits to investors such as RAC – long-term orientated, tax sensitive, patient and the pursuit of exceptional – albeit volatile – returns. RECM has since raised further capital for the fund. And we have to complement them on the caliber of investors they have managed to attract as our co-investors in the fund. The share register of any fund, but even more so for this fund, is as important as the asset register.

This fund recently celebrated its one-year anniversary. In the context of the it's objective, this is a very short time period. However, we are pleased that the fund has outperformed the JSE All Share Index during that period. Even better than this was the way in which these returns have been achieved. The investments in the fund could be classified under the labels of "Investor Disgust", "Neglect", "Illiquid", "Complicated", "Net Asset Plays", "Opportunistic", "Unlisted" and even in a few cases as "Overvalued" or "Over Levered", but for the most – completely outside the ambit of any Exchange Traded Fund or index tracker. For the proverbial enterprising investor from Ben Graham's book The Intelligent Investor, the South African markets have dished up a wonderful investment landscape for this particular mandate.

10. Conduit Capital

RAC owns 2,3% of Conduit Capital, a listed specialist insurance and investment business. We have a high regard for management and their business and investment strategy. Our shareholding has remained unchanged, and we value Conduit at its listed price. More information can be found at www.conduit.co.za.

11. Exits

During the course of the year we sold out of Sovereign Holdings, a listed producer of poultry products. Our gain was in excess of 70% over the holding period.

We also sold our entire holding in Excellerate as an opportunity presented itself in the form of a private buyer. We originally paid R1,23 per share for our stake in 2012. When the company delisted from the JSE our structure allowed us to stay invested while many other investors were prohibited from following the investment private in their mandates and funds. Our latest carrying value of Excellerate was R2,80 per share, the price of the last trade we could identify. The stake was sold for R5,40 per share in March of this year. This represents growth of 24% p.a. for the duration of the investment. Excellerate represents yet another investment that was held at the lower end of the fair value range, and that we were able to exit at a price well above our carrying value because we could act at the right time.

Events subsequent to year-end

- RAC made an offer to acquire up to 100% of Astoria. As described above, a successful conclusion of this transaction could unlock significant value in RAC.
- RAC concluded agreements to become a 49% shareholder of ISA Carstens Holdings, a private tertiary education institution which provides tuition in the health and wellness industry. ISA Carstens has campuses, including boarding facilities for students, in Stellenbosch and Pretoria. Through the transaction, we become partners with the founding family that built the business over the last 40 years.
- La Concorde unbundled its shareholding of HPLR (Hosken Passenger and Rail, the owners of, amongst others, Golden Arrow Bus Services), in the ratio of 2 HPLR shares for every LC share.

Our Strategy

To become an exceptional investment business is simple but not easy. To do so requires consistent execution on a sensible strategy. We are proud to have grown our NAV per share at above market rates, even including our missteps in execution. We can't blame the weather, politicians or the economy – our mistakes are our own, to live with forever. But by applying our strategy ruthlessly, we can minimize the effect of these (inevitable) errors of judgement.

Our strategy consists of controlling:

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

We prefer capital-light businesses that are scalable. We also prefer honest politicians. Unfortunately, both are scarce. So far, we have invested over 80% of our capital in our preferred type of businesses. But, having a "grand strategy" generally does not sit well with us. We prefer to be flexible in our thinking, and opportunistic in execution.

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

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

Many transactions are consummated in a competitive auction-based environment. The winner ends up paying the highest price, often a price that destroys value for the buyer. A good way of thinking about the winner in a competitive process is as the bidder who is happy to receive the least for every single unit of their money. We try hard not to be that person.

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

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

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

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

When we examine why investment companies tend to trade at discount to NAV it ultimately boils down to leakages from the system. As such we work hard to minimize leakages.

RAC's main cost is its contractual management fee.

It is also useful to look at many other listed businesses through our lens – that of an investment holding company. Many listed so-called operational businesses are actually more akin to investment companies such as RAC. They own a fairly diverse set of businesses with no apparent synergies. They would generally be better off doing away with their head office (staff and building!), devolving control down to the operating entities and instituting a monitoring fee to pay the costs of a small team of capital allocators at the top. Of course, given the incentives at play, that is an unlikely outcome. At RAC, we recognise that our different investee companies are unashamedly unrelated, and there would be no synergies if we were to merge them. As such, it would be ridiculous to create a "head office" to manage them. Our "head office" is represented by our 1% management fee. We think this fee actually represents a good deal for our shareholders. If RAC were to do away with the contractual fee, and institute variable costs in line with the costs at similarly sized "operational" companies, shareholders would be worse off. Of course, at a certain size this argument will not hold. At that time, we will review our position.

The second leakage – tax – is unavoidable. But it is possible to delay the actual payment thereof. Deferred taxes allow us to retain capital temporarily, and in so doing, compound more capital at our (hopefully) high internal rate. So, although we deduct full CGT in calculating our NAV – which is a more conservative practice than at many other investment companies – we get to use the capital until we actually have to pay the tax, generally when we exit the investment. So far, most of our exits have been executed in ways that ultimately led to less tax being paid than we had provided for. This represents another layer of conservatism in our stated NAV.

We have a good track record in controlling these leakages, and will continue to focus on these "controllables" relentlessly.

Our Structure

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

As a group, we continued to increase our shareholding in the business. When we interrogate our shareholders register, it appears that there is only one other investor (an institution on behalf of its clients) which holds a bigger economic interest in RAC than the three of us. We have skin in this game. If you ever wonder about which way potential conflicts between the management fee and the NAV per share in this business get resolved, we would refer you back to this section of our letter.

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

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

The Future

We believe our intrinsic value is growing at a rate well in excess of our accounting NAV. We are loath to mark our assets up too far, as the proof of value only really comes out in transactions. Accounting "fair value" is based on observed market prices, which in turn are driven by the exchange of small amounts of shares between minority shareholders. It is only when an informed buyer buys a significant stake in a business from an informed seller that true "fair value" can be established.

Last year, we had a perfect example of such a situation. Our investment in Dischem was realized at an amount of R187m in excess of our prior carrying value, or a good R3,61 per RAC share. This year, we had a similar, albeit smaller, realisation. We sold our stake in Excellerate for R64,5m, or R5,40 per share. Prior to the transaction we were carrying it at an accounting fair value of R34,6m, or R2,80 per share, which was the last observed traded price. The transaction added around 60 cps to our NAV.

We expect similar realisations to occur in future – we just don't know the timing or magnitude thereof. In fact, subsequent to year end, La Concorde's controlling shareholder, HCI, has set about crystallising the intrinsic value of that business. RAC had been carrying La Concorde at a fair value of R12,50 per share, and had accrued around R1 per La Concorde share of capital gains tax ("CGT") liabilities. Through HCI's efforts, we have so far received around R19,00 per La Concorde share in value, and we think there might be more to come. On top of that, HCI has executed the transaction in a tax efficient manner, relieving us of any CGT liability. In total, the realisation of La Concorde adds around 50cps to our stated year end NAV already.

Shareholders' letter

continued

As we said last year, negative economic environments increase the odds of RAC being able to buy good companies run by good people at a good price. This is exactly what has happened – we are now (more than) fully invested. The Astoria transaction – if successful – will provide us with more firepower to add to our portfolio of businesses, without diluting our existing shareholders.

Despite all the negative sentiment around South Africa, we are optimistic about the future. 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.

Please bear in mind – 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.

We are intensely aware of the lopsided relationship between the responsibility our non-executive directors assume these days and the reward they receive for this. You can never pay Gerhard, Zanele and Trent enough for the sterling job they do of providing sounding boards and guidance. We would like to thank them for this and so should you.

We appreciate the people in charge of our investee companies. Not only do we enjoy working with them, but with their various teams, they do all the heavy lifting, allowing us to get on with the fun job of exploring investment opportunities.

Finally, to all our shareholders – thank you for entrusting your capital to us. The lack of liquidity in our shares shows that you have turned out to be a loyal bunch. In every allegation about illiquidity in our shares, we read a complement to you. As we see it, liquidity is a prerequisite only for someone that wants to move pieces of paper around. The lack of liquidity in our shares is a testament to the quality of the investors on our shareholders register.

However, we do understand that there are some valid reasons why an investor would need to sell shares, and low liquidity might prevent them from getting a fair price. Our endeavors to provide an environment in which RAC shares trade around fair value include consistent communication, fair dealing with all shareholders and generating a good track record. Despite success on all three fronts, the current share price suggests that we have failed in this specific endeavor. We have no doubt that liquidity will improve in future.

SHAREHOLDERS' MEETING WITH EXECUTIVE DIRECTORS

We will hold our annual meeting for all shareholders, immediately after the conclusion of the Annual General Meeting of RAC Shareholders. This Annual General Meeting is scheduled to take place on Wednesday, 25 July 2018 at the Southern Sun Hotel in Newlands, Cape Town, at 11:00. At the meeting, we look forward to discussing our investment operations, and answering as many questions as you have. Some of our CEOs will also be present, if you wish to speak to them about their businesses. There is an invitation enclosed with this annual report, and we would appreciate it if you would let us know whether you will be attending.

Piet Viljoen
Executive Chairman

Jan van Niekerk
Executive Financial Director

Cape Town
18 June 2018

Corporate governance

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

The Board of Directors supports the King IV Report on Corporate Governance ("King Code"). Good corporate governance is an integral part of RAC's business (and investment) philosophy. The values espoused in this philosophy will govern the way in which RAC interacts with all its stakeholders and stresses the importance of good corporate citizenship, integrity, transparency and accountability. Accordingly, RAC aims to comply with the provisions and the spirit of the King Code to the extent that these are practical and appropriate. RAC has published a register on its website (www.racltd.co.za), which covers the principles of the King Code and provides a narrative statement as to the application of each principle.

BOARD OF DIRECTORS

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

As of 31 March 2018, the Board of RAC comprised six directors with an appropriate balance of executive and non-executive directors, with one black female director. The Board supports the principles and aims of appropriate gender and race diversity. RAC's board is sufficiently diversified and there are no gender and/or race quota targets. The directors selected are individuals of the highest calibre and credibility, and have the necessary skills and experience to make a meaningful contribution to the business of the Company and there is a clear division of responsibilities between directors. There exists a clear balance of power and authority at Board level ensuring that no one director has unfettered powers of decision-making.

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

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

During the year under review five meetings of the Board were held.

Name of member	12 June 2017	18 Oct 2017	17 Nov 2017	30 Jan 2018	20 Feb 2018
Piet Viljoen *(Chairman)*	–	Present	Present	Present	Present
Theunis de Bruyn	–	Present	Present	Present	–
Jan van Niekerk	Present	Present	Present	Present	Present
Gerhard Swiegers	Present	Present	Present	Present	Present
Zanele Matlala	Present	Present	Present	Present	Present
Trent Rossini	Present	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 review of the internal controls in existence;
- system of risk management within RECM and its back-office administrator, including the design, implementation and effectiveness of the internal financial controls; and
- considering information and explanations given by management of RECM and discussions with the external auditor on the results of the audit, assessed by the Audit and Risk Committee,

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

Corporate governance

continued

AUDIT AND RISK COMMITTEE

The Company has an Audit and Risk Committee comprising of 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 20.

NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee comprises Piet Viljoen and Gerhard Swiegers. The Committee met once during the period with both members present. RAC has combined its Nomination Committee and Remuneration Committee into a single Committee given the simple structure of the Company's business. RAC has no employees, CEO or senior management to remunerate and has only independent directors that receive remuneration and accordingly a remuneration policy has not been established. The JSE has notified RAC in writing that RAC does not need to comply with paragraph 3.84(k) of the JSE Listings Requirements. Further, RAC appoints skilled directors not requiring mentoring and any training requirements are delegated to the Company Secretary or Executive Financial Director. Given these factors, RAC considers that the two-member committee does and will going forward effectively discharge its duties. The composition of this committee is not in line with the JSE Listings Requirements, however the JSE has notified RAC in writing that the JSE will not insist on compliance with paragraph 3.84(c) of the JSE Listings Requirements.

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

SOCIAL AND ETHICS COMMITTEE

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

GOING CONCERN

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

COMPANY SECRETARY AND PROFESSIONAL ADVICE

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

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

AUDITOR INDEPENDENCE

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

Corporate governance

continued

ANNUAL GENERAL MEETING

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

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

SUSTAINABILITY

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

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

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

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

OTHER MATTERS OF INTEREST TO STAKEHOLDERS

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

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

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

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

Audited Annual Financial Statements

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 2018

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

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

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

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

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

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

The external auditors are responsible for independently reviewing and reporting on the Company's annual financial statements. The annual financial statements have been examined by the Company's external auditors and their report is presented on page 22.

The annual financial statements set out on pages 25 to 50, which have been prepared on the going concern basis, were approved by the Board of Directors on 18 June 2018 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

18 June 2018
Claremont

Report of the Audit and Risk Committee

for the year ended 31 March 2018

This report, in respect of the financial year ended 31 March 2018, 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 as per its terms of reference.

Name of member	1 June 2017	18 Oct 2017	17 Nov 2017	20 Feb 2018
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 and Non- Executive Directors, external auditor and executives of RECM attend meetings by invitation.

3. ROLE AND RESPONSIBILITIES

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

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

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

The Audit and Risk Committee executed its duties effectively.

4. EXTERNAL AUDITOR APPOINTMENT AND INDEPENDENCE

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

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

The Committee, in consultation with executive management, agreed to the engagement letter, terms, audit plan and audit fees for the 2018 financial year.

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

Report of the Audit and Risk Committee

continued

for the year ended 31 March 2017

The Committee has nominated, for election at the annual general meeting, Ernst & Young Inc., as the external audit firm and Mrs JC de Villiers as the designated auditor responsible for performing the functions of the auditor, for the 2019 year. The Audit and Risk Committee has satisfied itself that the audit firm and designated auditor are accredited as such on the JSE list of auditors and their advisors and are registered with IRBA.

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 18 of the Integrated Annual Report. The Audit and Risk Committee supports the opinion of the Board in this regard.

7. GOING CONCERN

The Audit and Risk Committee has reviewed a documented assessment, including key assumptions, prepared in respect of the going concern status of the Company and has made recommendation to the Board in accordance herewith. The Board's statement on the going concern status of the Company, as supported by the Audit and Risk Committee, is stated in the Directors' Responsibilities and Approval on page 18 of the Integrated Annual Report.

8. GOVERNANCE OF RISK

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

9. INTERNAL AUDIT AND COMPLIANCE

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

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

10. INTERNAL FINANCIAL AND ACCOUNTING CONTROL

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

The Audit and Risk Committee has considered, and has satisfied itself of the appropriateness of the expertise and adequacy of resources of the finance function and experience of the senior members of RECM management responsible for the financial function and confirms that appropriate financial reporting procedures have been established and that these procedures are operating.

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

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

Gerhard Swiegers

Chairman of the Audit and Risk Committee

18 June 2018

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of RECM and Calibre Limited set out on pages 26 to 50, which comprise the statement of financial position as at 31 March 2018, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

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

Key Audit Matters

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

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

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

continued

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
1. Fair value estimation of unlisted financial instruments	
The directors have assessed that RECM and Calibre Limited (RAC) meets the definition of an Investment Entity in terms of International Financial Reporting Standard 10 – Consolidated Financial Statements (IFRS10). IFRS 10 requires that a parent that is an Investment Entity shall not present consolidated financial statements and is required to measure all of its qualifying subsidiaries at fair value through profit and loss. The entity is therefore required in terms of IFRS 10 to measure its subsidiary, RAC Investment Holdings Proprietary Limited (RIH) at fair value through profit or loss. RIH is also an Investment Entity and holds financial instruments at fair value. The fair value of the financial instruments held by RIH that are not traded in an active market are determined using valuation techniques which require significant judgement regarding estimates and sources of uncertainty. The Company uses a variety of valuation methods and makes assumptions that are based on market conditions existing at the end of each reporting period to determine the fair value of these financial instruments. Given the level of judgement involved in estimating the fair value of the unlisted financial instruments, the sensitivity to assumptions and various unobservable valuation inputs and the quantitative significance of these fair value estimates, we consider the fair value estimation of unlisted financial instruments to be a key audit matter. The disclosures relating to the valuation of the financial instruments are presented in Note 3.	Our audit included the following procedures: • We assessed the design of the overall control environment implemented by management to determine fair values; • We performed the following procedures in respect of the unlisted financial instruments: – We compared the valuation techniques and methods applied by management to generally accepted market practice and guidelines. – We compared assumptions and inputs used to independent sources and benchmarks, where available. – Where key assumptions and inputs were unobservable, we involved our valuation experts to assess the appropriateness of aspects of these assumptions and inputs. – We recalculated the values of the instruments, where applicable, using the selected methodology and assessed the accuracy thereof. • We assessed whether the financial statement disclosures, including sensitivity to key inputs, appropriately reflect the Company's exposure to financial instrument valuation risk

Other information

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

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

continued

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Ernst & Young Inc. has been the auditor of RECM and Calibre Limited for 5 years.

Ernst + Young Inc.

Ernst & Young Inc.

Director: Malcolm Rapson
Registered Auditor
Chartered Accountant (SA)

Waterway House
3 Dock Road
V&A Waterfront
Cape Town

18 June 2018

Directors' report

for the year ended 31 March 2018

The directors submit their report for the year ended 31 March 2018.

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 R21 890 635 (2017: R391 185 766), after taxation of R30 829 (2017: R50 208).

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 21 of the annual financial statements.

4. DIRECTORS' SHAREHOLDING

Shareholding of directors, directly and indirectly as at 31 March 2018 are:

	Ordinary shares				Preference shares			
	2018 Number	**2018 %**	2017 Number	2017 %	**2018 Number**	**2018 %**	2017 Number	2017 %
Theunis de Bruyn	**–**	**–**	–	–	**1 722 328**	**3,6**	1 711 603	3,6
Piet Viljoen	**2 500 001**	**66,67**	2 500 001	66,67	**1 618 827**	**3,4**	1 614 464	3,4
Jan van Niekerk	**1 249 999**	**33,33**	1 249 999	33,33	**416 233**	**0,9**	415 455	0,9
Trent Rossini	**–**	**–**	–	–	**1 500 000**	**3,2**	1 500 000	3,2
Gerhard Swiegers	**–**	**–**	–	–	**80 000**	**0,2**	80 000	0,2
Total	**3 750 000**	**100,00**	3 750 000	100,00	**5 337 388**	**11,3**	5 321 522	11,2

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

5. DIRECTORS' INTEREST IN CONTRACTS

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

6. AUTHORISED AND ISSUED SHARE CAPITAL

There were no changes in the authorised and issued share capital of the Company during the year under review.

7. DIVIDENDS

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

Statement of financial position

at 31 March 2018

	Notes	2018 R	2017 R
ASSETS			
Non-current assets		**1 420 152 165**	1 396 876 924
Investments	3	**1 420 152 165**	1 396 876 924
Current assets		**1 350 670**	2 681 458
Investments	3	**1 094 061**	2 409 514
Current tax receivable		**221 365**	223 307
Cash and cash equivalents	5	**35 244**	48 637
Total assets		**1 421 502 835**	1 399 558 382
EQUITY AND LIABILITIES			
Equity		**1 420 679 967**	1 398 789 332
Share capital – ordinary shareholders	6	**18 206 250**	18 206 250
Share capital – preference shareholders	6	**506 296 000**	506 296 000
Retained income		**896 177 717**	874 287 082
Liabilities			
Current liabilities		**822 868**	769 050
Trade and other payables	7	**822 868**	769 050
Total equity and liabilities		**1 421 502 835**	1 399 558 382
Net asset value			
Net asset value attributable to ordinary shareholders		**104 155 423**	102 550 538
Net asset value attributable to preference shareholders		**1 316 524 544**	1 296 238 794
Net asset value per ordinary share (cents)		**2 777**	2 735
Net asset value per preference share (cents)		**2 777**	2 735

Statement of comprehensive income

for the year ended 31 March 2018

	Notes	2018 R	2017 R
Revenue	9	**110 219**	30 163 291
Operating expenses		**(1 463 996)**	(1 517 457)
Operating profit		**(1 353 777)**	28 645 834
Fair value gains on subsidiary	11	**23 275 241**	362 590 140
Profit before taxation		**21 921 464**	391 235 974
Taxation	10	**(30 829)**	(50 208)
Profit for the year		**21 890 635**	391 185 766
Other comprehensive income for the year net of taxation		**–**	–
Total comprehensive income		**21 890 635**	391 185 766
Earnings and headline earnings per share			
Per share information (ordinary and preference)			
Basic and diluted earnings per share (cents)	12	**43**	765
Basic and diluted headline earnings per share (cents)	12	**43**	765

Statement of changes in equity

for the year ended 31 March 2018

	Preference share capital R	Ordinary share capital R	Retained income R	Total share-holders' equity R
Balance at 31 March 2016	450 000 000	50 000 000	483 101 316	983 101 316
Profit for the year	–	–	391 185 766	391 185 766
Share issues	56 296 000	–	–	56 296 000
Share buy back	–	(31 793 750)	–	(31 793 750)
Balance at 31 March 2017	**506 296 000**	**18 206 250**	**874 287 082**	**1 398 789 332**
Profit for the year	**–**	**–**	**21 890 635**	**21 890 635**
Balance at 31 March 2018	**506 296 000**	**18 206 250**	**896 177 717**	**1 420 679 967**
Notes	6	6		

Statement of cash flows

for the year ended 31 March 2018

	Notes	2018 R	2017 R
Cash flows from operating activities			
Cash utilised in operations	13	**(1 410 178)**	(2 252 759)
Interest income		**672**	169 541
Dividends received		**–**	3 500 000
Tax paid	14	**(28 887)**	(339 784)
Net cash (outflow)/inflow from operating activities		**(1 438 393)**	1 076 998
Cash flows from investing activities			
Sale/(purchase) of investments		**1 425 000**	(2 409 514)
Net cash outflow from investing activities		**1 425 000**	(2 409 514)
Net movement in cash and cash equivalents		**(13 393)**	(1 332 516)
Cash and cash equivalents at the beginning of the year		**48 637**	1 381 153
Cash and cash equivalents at the end of year	5	**35 244**	48 637

Notes to the annual financial statements

for the year ended 31 March 2018

GROUP STRUCTURE

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

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

Given that the majority of investments are held through RIH, RAC has provided the fair value disclosure in two parts in note 3. Notes 3.1 and 3.3 disclose the investment in RIH as required by IFRS and notes 3.2 and 3.4 provide additional disclosures that the directors deem useful by looking through RIH and RIH's wholly owned subsidiary Livingstone Investments (Pty) Ltd ("Livingstone") to the underlying investments. All fair value movements on the investment in RIH are recognised in profit or loss.

1. ACCOUNTING POLICIES – PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

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

These accounting policies have been applied consistently to all periods presented in these financial statements. The adoption of the new accounting standards and amendments to IFRS had no material impact on the results of either the current or prior year. Refer to 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 applied the exemption in IAS 28 to carry any interests in associates and joint ventures at fair value through profit or loss. Such application is applied consistently due to the fact that the Company is an investment entity and evaluates its investments on a fair value basis. The Company reports to its investors via annual and semi-annual results and to its management, via internal management reports, on a fair value basis. All investments are reported at fair value to the extent allowed by IFRS in the Company's annual report.

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

Fair value estimation

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

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

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

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

1.2 Financial instruments

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

Classification

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

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

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

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Loans and receivables

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

Financial assets measured at fair value through profit or loss

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

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

Trade and other payables

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

Cash and cash equivalents

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

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

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

Fair value determination

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

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

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

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

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

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

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

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

1.3 Tax

Current tax assets and liabilities

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

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

Deferred tax assets and liabilities

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

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

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

Tax expenses

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

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

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

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

1.4 Share capital and equity

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

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

1.5 Revenue

Interest for all financial instruments measured at amortised cost is recognised using the effective interest rate. Dividends are recognised when the Company's right to receive payment has been established.

2. NEW STANDARDS AND INTERPRETATIONS

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

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Impact
IAS 7 Disclosure Initiative – amendments to IAS 7	1 January 2017	No material impact.
Annual Improvements IFRS 12	1 January 2017	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. The Company plans to adopt these statements when they become effective.

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected Impact
IFRS 9 – Financial Instruments	1 January 2018	IFRS 9 is not expected to have a material impact on the Company as it currently owns 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 expected as the company earns interest and dividend income.

	2018 R	2017 R
3. INVESTMENTS		
Fair value hierarchy of financial assets		
Level 2		
Class 4 – Money market fund	**1 094 061**	2 409 514
	1 094 061	2 409 514
Level 3		
Class 5 – Unlisted shares – Unquoted – fair value through profit or loss	**1 420 152 165**	1 396 876 924
	1 420 152 165	1 396 876 924
Total financial assets at fair value	**1 421 246 226**	1 399 286 438
Total assets at fair value through profit or loss	**1 421 246 226**	1 399 286 438
Non-current assets - fair value through profit or loss	**1 420 152 165**	1 396 876 924
Current assets - fair value through profit or loss	**1 094 061**	2 409 514
Total investments	**1 421 246 226**	1 399 286 438
Management classifies money market fund as current and other investments as non-current.		
Level 3 reconciliation		
Opening balance	**1 396 876 924**	983 290 784
Purchases	**–**	50 996 000
Gains on investments recognised in profit or loss	**23 275 241**	362 590 140
Closing balance	**1 420 152 165**	1 396 876 924

3. INVESTMENTS (continued)

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

Level 2
Class 3 financial assets are valued based on the price of the underlying assets.
Class 4 financial assets are valued by taking the following market observable data into account and applying them to the holdings:

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

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

Level 3
Class 5 unlisted unquoted shares are valued using a number of valuation techniques based on the following unobservable market data for each investment as applicable:

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

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

There have been no significant changes to the inputs to the fair valuation calculations of the investments to which RAC is exposed. RIH has continued to be valued based on its NAV which is driven by the valuation of the underlying investments. Management are responsible for preparing the valuations which are reviewed by the Audit and Risk Committee and approved by the Board.

3. INVESTMENTS (continued)

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

	2018 R	2017 R
Fair value hierarchy of financial assets held by RAC Investment Holdings (Pty) Ltd and Livingstone Investments (Pty) Ltd		
Level 1		
Class 1 – Listed shares – Quoted	**565 781 986**	205 119 811
Class 2 – Unlisted shares – Quoted	**43 874 788**	55 550 183
	609 656 774	260 669 994
Level 2		
Class 3 – Derivative instruments	**–**	130 879 183
Class 3 – Hedge fund	**42 401 775**	–
Class 4 – Money market fund	**72 433 269**	158 886 872
Class 6 – Unlisted shares – Last traded price – available for sale	**–**	34 031 981
Class 6 – Unlisted shares – Last traded price – fair value through profit or loss	**–**	49 736 932
	114 835 044	373 534 968
Level 3		
Class 5 – Unlisted shares – Unquoted – available-for-sale	**4 597 611**	4 038 769
Class 5 – Unlisted shares – Unquoted – fair value through profit or loss	**1 165 762 769**	993 249 079
	1 170 360 380	997 287 848
Total financial assets at fair value	**1 894 852 198**	1 631 492 810
Non-current assets	**1 822 418 929**	1 472 605 938
Current assets	**72 433 269**	158 886 872
Total investments	**1 894 852 198**	1 631 492 810
Summary of Net Asset Value of RIH and Livingstone		
Total investments from above	**1 894 852 198**	1 631 492 810
Loans and receivables	**68 016 765**	56 749 640
Cash and cash equivalents	**49 047 493**	4 665 742
Deferred tax	**(126 589 276)**	(117 389 895)
Contingent consideration and options	**16 209 881**	(22 123 176)
Loans and payables	**(131 044 118)**	(6 518 197)
Preference shares	**(350 340 778)**	(150 000 000)
Net Asset Value of RIH and Livingstone	**1 420 152 165**	1 396 876 924

3. INVESTMENTS (continued)

31 March 2018

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

	Valuation technique	Fair value Rm	Significant unobservable inputs	Input value	Sensitivity
RAC Investment Holdings ("RIH")	NAV	1 420	Earnings and multiple of the underlying investments (refer to breakdown below)	N/A	A change in the valuation techniques as documented below would result in an increase in fair value of R177,8m or decrease in fair value of 184,9m.

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

Retail: Safari and Outdoor; (excluding non-equity invest-ments)	Multiple	82,5	PBIT	6	A change in multiple by 1 would result in a change in fair value of approximately R17,8m.
Goldrush Group	Multiple	941,1	EBITDAR	7	An increase or decrease in the EBITDAR multiple by 1 would result in a change in fair value of approximately R152,6m.
JB Private Equity Investors Partnership	NAV	94,3	N/A	N/A	The NAV of the JB Private Equity Investors Partnership is directly linked to the underlying investment in Unicorn Capital Partners Limited (which is listed on the JSE) and it is not currently significantly impacted by any fair value adjustment to trade and other payables and therefore NAV of the JB Private Equity Investors Partnership is considered to be fair value. A 10% upward movement in the Unicorn Capital Partners share price would have a R2,3m impact on the Partnership NAV, whereas as a 10% downward movement in the share price would have a R9,4m impact on NAV.
Education: SA College (excluding non-equity invest-ments)	Multiples	47,9	Sales	0,8 – 1	A change in multiple by 10% would result in a change in fair value of approximately R4,4m.
	NAV		N/A	N/A	A change in 10% of the underlying businesses would have a fair value impact of R0,7m
Other level 3 investments		4,6			
Total		1 170,40			

Notes to the annual financial statements

continued

for the year ended 31 March 2018

3. INVESTMENTS (continued)

31 March 2017

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

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

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

Retail: Safari and Outdoor; (excluding non-equity invest-ments)	Multiples	49,9	EBITDA, Sales, PE	4 – 8	A change in multiple by 1 would result in an increase in fair value of approximately R14m.
Goldrush Group	Multiples	816,4	EBITDAR	5 – 7	An increase or decrease in the EBITDAR multiple by 1 would result in a change in fair value of our investment of approximately R122m.
JB Private Equity Investors Partnership	NAV	100,9	N/A	N/A	The NAV of the JB Private Equity Investors Partnership is directly linked to the underlying investment in Sentula Mining Limited which is listed on the JSE and is not currently significantly impacted by any fair value adjustment to trade and other payables and therefore NAV of the JB Private Equity Investors Partnership is considered to be fair value. A 10% movement in the Sentula share price would have a R8,7m impact on the Partnership NAV.
Mining: West Coast Resources (excluding non-equity invest-ments)	NAV	26,1	Valuation of mining rights	19% discount rate	A multi-period excess earnings method was used to calculate the mining rights in WCR. A change in the value of the mining rights by 10% would result in a R24,7m change in the NAV of WCR.
Other level 3 investments		4,0			
Total		997,3			

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

4. FINANCIAL ASSETS BY CATEGORY

The categorisation of financial assets is as follows:

	Amortised cost R	Financial assets at fair value through profit or loss R	Total R
2018			
Cash and cash equivalents	**35 244**	**–**	**35 244**
Investments	**–**	**1 421 246 226**	**1 421 246 226**
	35 244	**1 421 246 226**	**1 421 281 470**
2017			
Cash and cash equivalents	48 637	–	48 637
Investments	–	1 399 286 438	1 399 286 438
	48 637	1 399 286 438	1 399 335 075

	2018 R	2017 R
5. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of:		
Bank balances	**35 244**	48 637
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)	**35 244**	48 637

	2018 R	2017 R
6. SHARE CAPITAL		
Authorised		
5 000 000 ordinary shares of R0,01 each	**50 000**	50 000
200 000 000 non-cumulative redeemable participating preference shares of no par value.	**–**	–
250 000 000 redeemable preference shares of no par value	**–**	–
The redeemable preference shares will have the rights and privileges, restrictions and conditions as determined by the Directors upon issue thereof, but which are intended to rank in priority to the participating preference shares, the perpetual preference shares and ordinary shares in respect of dividends and on winding up.		
1 500 000 000 perpetual preference shares of no par value	**–**	–
The perpetual preference shares will have the rights and privileges, restrictions and conditions as determined by the Directors upon issue thereof, but which are intended to rank in priority to the participating preference shares and ordinary shares in respect of dividends and on winding up.		
Issued		
3 750 000 (2017: 3 750 000) ordinary shares of R0,01 each	**37 500**	37 500
Share premium	**18 168 750**	18 168 750
	18 206 250	18 206 250
47 400 000 (2017: 47 400 000) non-cumulative redeemable participating preference shares	**506 296 000**	506 296 000
7. TRADE AND OTHER PAYABLES		
Audit fee payable	**263 280**	246 052
Directors' fees payable	**559 588**	522 998
	822 868	769 050
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 2018

	Financial liabilities at amortised cost R	Total R
8. FINANCIAL LIABILITIES BY CATEGORY		
2018		
Trade and other payables	**822 868**	**822 868**
	822 868	**822 868**
2017		
Trade and other payables	769 050	769 050
	769 050	769 050

	2018 R	2017 R
9. REVENUE		
Dividend revenue		
Unlisted financial assets	**–**	29 993 750
Total dividend revenue	**–**	29 993 750
Interest revenue		
Bank	**672**	15 991
Financial assets	**109 547**	153 550
Total interest revenue	**110 219**	169 541
Total revenue	**110 219**	30 163 291

	2018 R	2017 R
10. TAXATION		
Major components of the tax expense		
Current		
Income tax – current period	**30 829**	50 208
Deferred		
Current period	**–**	–
	30 829	50 208
Reconciliation of the tax expense		
Reconciliation between accounting profit and tax expense		
Accounting profit	**21 921 464**	391 235 974
Tax at the applicable tax rate of 28% (2017: 28%)	**6 138 010**	109 546 073
Tax effect of adjustments on taxable income		
Non-taxable income	**–**	(8 398 250)
Non-taxable fair value adjustments	**(6 517 068)**	(101 525 240)
Non-tax deductible expenses	**409 887**	427 625
	30 829	50 208

	Gross R	Tax R	Net R
11. FAIR VALUE GAINS ON SUBSIDIARY			
2018			
Gains arising during the year:			
Unlisted shares – Subsidiary	**23 275 241**	**–**	**23 275 241**
	23 275 241	**–**	**23 275 241**
2017			
Gains arising during the year:			
Unlisted shares – Subsidiary	362 590 140	–	362 590 140
	362 590 140	–	362 590 140

Deferred tax has not been recognised on the fair value gains on the investment in RIH as the manner of expected recovery of the investment is unlikely to result in future tax consequences. Temporary differences not recognised in terms of IAS 12 amount to R531 527 251 (2017: R508 252 010). Deferred tax has been recognised in RIH on the investments that it expects to incur taxes on when realising their value.

Notes to the annual financial statements

continued

for the year ended 31 March 2018

	2018 R	2017 R
12. EARNINGS AND HEADLINE EARNINGS PER SHARE		
Earnings and headline earnings per shares are based on the profit attributable to ordinary and preference shareholders in issue during the year.		
Number of shares in issue at year-end		
Ordinary shares	**3 750 000**	3 750 000
Preference shares	**47 400 000**	47 400 000
Reconciliation of issued shares to weighted average number of shares		
Ordinary shares		
Opening balance	**3 750 000**	5 000 000
Share buy back	**–**	(393 836)
Weighted average number of ordinary shares	**3 750 000**	4 606 164
Preference shares		
Opening balance	**47 400 000**	45 000 000
Share issues	**–**	1 534 795
Weighted average number of preference shares	**47 400 000**	46 534 795
Total weighted average number of shares	**51 150 000**	51 140 959
Earnings		
Net profit after tax	**21 890 635**	391 185 766
Headline earnings	**21 890 635**	391 185 766
Basic and diluted earnings per ordinary and preference shares (cents)	**43**	765
Basic and diluted headline earnings per ordinary and preference shares (cents)	**43**	765
13. CASH UTILISED IN OPERATIONS		
Profit before taxation	**21 921 464**	391 235 974
Adjustments for:		
Dividends received	**–**	(29 993 750)
Interest received	**(110 219)**	(169 541)
Unrealised gain on investments	**(23 275 241)**	(362 590 140)
Changes in working capital:		
Trade and other payables	**53 818**	(735 302)
	(1 410 178)	(2 252 759)
14. TAX PAID		
Balance at the beginning of the year	**223 307**	(66 269)
Current tax for the year recognised in profit	**(30 829)**	(50 208)
Balance at the end of the year	**(221 365)**	(223 307)
	(28 887)	(339 784)

15. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Subsidiary

As at year-end, RAC has a single equity investment being a 100% (2017: 100%) held subsidiary, RAC Investment Holdings (Pty) Ltd ("RIH"). The subsidiary is not consolidated due to the Company being an investment entity in terms of IFRS 10 which requires investments to be accounted for at fair value. RIH is an investment holding Company, operating in South Africa. For additional information relating to RIH, as well as the underlying investments, looking through its 100% held subsidiary Livingstone Investments (Pty) Ltd, please refer to note 3.

RIH holds the following investments as at 31 March 2018

Subsidiaries

As at year-end, RIH has a 50,95% (2017: 53,3%) economic interest in Goldrush Group (Pty) Ltd (“Goldrush”) which is incorporated in South Africa and has interests in both Bingo and Limited Pay Out Machine licences in Southern Africa. RIH has 50,95% (2017: 53,3%) of the voting rights as at year-end and Goldrush is therefore considered to be a subsidiary.

As at year-end, RIH has a 90% interest in the JB Private Equity Investors Partnership. The partnership holds 37,4% (2017: 37%) of the issued shares in Unicorn Capital Partners Limited ("Unicorn") (previously called Sentula Mining Limited). Unicorn is a diversified mining company incorporated in South Africa with an established footprint across the African continent. The Group’s service offerings can be broadly divided into bulk earth moving, and associated support services and exploration drilling. Given the holding structure, JB Private Equity Investors Partnership is considered to be a subsidiary and Unicorn is considered an associate as at year-end.

As at year-end, RIH has a 88,1% (2017: 88,1%) stake in the ordinary shares and a 100% stake in the preference shares of SA College of Home Study (Pty) Ltd ("College SA"). College SA is a FET-Level college in South Africa and is registered and accredited by a number of regulatory bodies. They specialise in providing distance education to students across the country as well as in the United Kingdom through their Subsidiary IASeminars Limited. Given the majority stake, College SA is considered to be a subsidiary as at year-end.

As at year-end, RIH has a 100% (2017: 0%) stake in Livingstone Investments (Pty) Ltd (“Livingstone”). Livingstone is an investment entity incorporated in South Africa. It holds a 28% (2017: 0%) interest in Astoria Investments Limited.

Associates and joint ventures

As at year-end, RIH has a 28,6% (2017: 28,3%) interest in Outdoor Investment Holdings (Pty) Ltd (“S&O”). S&O is the largest hunting and safari related chain in South Africa with a wide range of products catering for all hunting requirements. Given the holding, RIH is considered to have significant influence over S&O and it is therefore considered to be an associate.

During the prior year RIH held a single ordinary share in Fledge Holdings along with 50% of the class B shares. The rights and conditions allowed RIH to appoint two members to the Board of directors of Fledge Holdings along with protective voting rights. Fledge Holdings was an investment vehicle with a minority interest in Dischem which was realised during the prior year resulting in RIH receiving a dividend from Fledge. The application for deregistration of Fledge Holdings has been submitted subsequent to year-end.

As at 31 March 2017 RIH held a 27,2% interest in West Coast Resources (Pty) Ltd ("WCR"). WCR is in the business of diamond mining and exploration on the West Coast of South Africa. Given the 27,2% interest, RIH had significant influence over WCR and it was therefore considered to be an associate. During the current year, RIH sold WCR to Trans Hex Group Limited (“Transhex) for an additional 9,4 million shares in Transhex.

As at year-end RIH had a 31,6% (2017: 25,5%) interest in Transhex. Transhex is an integrated, international company engaged directly and through associated companies and joint-venture agreements with others in the exploration for, mining and marketing of high-quality diamonds from land and marine alluvial deposits in South Africa and Angola. Given the 31,6% holding and voting agreement with other shareholders, Transhex is considered to be a joint venture at year-end (2017: joint venture). As at year-end, RIH had provided Transhex with a loan facility of R47,2m, of which R34,8m had been utilised.

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

As at year-end Livingstone has a 28% (2017:0%) interest in Astoria Investments Limited. Astoria which is listed on the Stock Exchange of Mauritius and the JSE is an investment holding company with investments mainly in blue chip global shares. RAC has 28% of the voting rights under its control through Livingstone and therefore Astoria is considered to be an Associate as at year-end.

16. RELATED PARTIES

Relationships

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

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

Notes to the annual financial statements

continued

for the year ended 31 March 2018

	2018 R	2017 R
16. RELATED PARTIES (continued)		
Related party transactions		
Revenue received from related parties		
RAC Investment Holdings (Pty) Ltd – dividend	**–**	29 993 750
RECM Money Market Fund		
– Interest	**109 547**	153 550
Shares purchased in RAC Investment Holdings (Pty) Ltd in exchange for investments and loans and receivables	**–**	50 996 000
Sale of investments to RAC Investment Holdings (Pty) Ltd	**–**	50 996 000
Issue of 200 000 Preference Shares to Nicholas Viljoen Investment Company (Pty) Ltd	**–**	5 300 000
Issue of 2 200 000 Preference Shares to the sellers of the Goldrush Group	**–**	50 996 000
Repurchase of 1 250 000 ordinary shares from TATJ Investments (Pty) Ltd	**–**	31 793 750
Related party balances		
Investment in RECM Money Market Fund	**1 094 061**	2 409 514

RAC directors with material interests in contracts entered into by RAC or RIH

Messrs PG Viljoen and JC Van Niekerk are directors of Regarding Capital Management (Pty) Ltd, RAC and RIH. Messr JC Van Niekerk is a Director of RAC, RIH and RAC Advisory (Pty) Ltd. Messrs T De Bruyn, PG Viljoen and JC Van Niekerk are directors of Calibre Capital (Pty) Ltd.

17. DIRECTORS' EMOLUMENTS

Directors' emoluments consist of directors' fees and are considered to be short-term benefits which are paid in the year.

	2018 R	2017 R
Gerhard Swiegers	**265 000**	250 000
Trent Rossini	**144 528**	136 347
Zanele Matlala	**144 528**	136 347

Executive directors and T de Bruyn do not receive any directors fees from the company and the company has no employees.

18. RISK MANAGEMENT

Risk management objectives and policies

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

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

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

Market risk

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

Equity price risk

The Company is subject to the risk of adverse movements in the market price of listed securities and unlisted quoted securities in which it has invested. This market risk is managed by the investment adviser by buying assets below their expected value. These investments are monitored on an ongoing basis by the Investment Manager and regularly reported on to the Board of Directors. Significant investments are approved in advance. A decrease or increase of 3% in the market price would have an estimated R18,2m (2017: R7,8m) 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 R14,2m (2017: R14m).

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 2018 if interest rates had been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been R0,7m (2017: R1,4m) higher/lower.

As at year-end RIH and Livingstone have funding from ABSA in the form of preference shares and a loan. The dividend and interest rates on the funding is linked to prime. A 1% change in prime will result in RIH and Livingstone needing to pay an additional R5,3m (2017: R1,75m) of preference dividends and interest per year.

Liquidity risk

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

18. RISK MANAGEMENT (continued)

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

RAC	Less than 60 days R	Over 60 days R
At 31 March 2018		
Trade and other payables	**822 868**	**–**
At 31 March 2017		
Trade and other payables	769 050	–

The maturity groupings for RIH and Livingstone are as follows:

RIH and Livingstone	Less than 1 year R	1 to 2 years R	2 to 5 years R	More than 5 years R	Total R
At 31 March 2018					
Loans and payables	**217 329 071**	**127 251 380**	**210 773 244**	**–**	**555 353 695**
Contingent consideration and derivatives	**2 192 652**	**–**	**–**	**–**	**2 192 652**
At 31 March 2017					
Loans and payables	18 750 915	66 524 228	103 600 794	–	188 875 937
Contingent consideration and derivatives	22 123 176	–	–	–	22 123 176

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 R68m (2017: R56,8m). 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.

19. GUARANTEE, CESSION AND PLEDGE

As at year-end RIH has issued 350 preference shares for R1 000 000 each to ABSA Bank Limited. The preference shares pay a preference dividend on the 31 March and 30 September each year at a rate equivalent to 115% of prime and are redeemable in 7 equal tranches on the 5 December 2018, 30 May 2019, 30 August 2019, 31 July 2020, 31 August 2020, 30 September 2020 and 30 October 2020.

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

- RAC pledged its shares held in RIH to ABSA
- RAC provided a guarantee in favour of ABSA for the full, complete and punctual payment and performance by RIH of all its obligations under the Preference Share Agreement amounting to R89,6m (2017: R15,5m) within 1 year, R127,3m (2017: R66,5m) within 2 years and R210,8m (2017: R103,6m) within 5 years.
- RIH pledged its shares held in Goldrush to ABSA

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

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

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

As at year-end Livingstone Investments (Pty) Ltd ("Livingstone"), a wholly owned subsidiary of RIH, had a loan from ABSA totalling R127,5m. In terms of the loan agreement, the following securities were provided to ABSA:

- Livingstone pledged its shares held in Astoria as well as its bank accounts, claims and other related rights to ABSA
- RIH pledged its shares held in Livingstone to ABSA
- Livingstone is required to repay the loan and total interest to ABSA, amounting to R134,5m within 1 year, failing which all assets held by RAC will become pledged to ABSA.

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

20. 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.

21. SUBSEQUENT EVENTS

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

- RAC through its 100% held subsidiary, Livingstone Investments (Pty) Ltd, announced its intention to make an offer to acquire up to 87 643 353 shares in Astoria Investments Limited in terms of a voluntary offer. As at the time of signing the annual financial statements, the offer is subject to regulatory approval.
- Agreements were concluded for RIH fo become a 49% shareholder of ISA Carstens Holdings (Pty) Ltd for a consideration of R35m.
- La Concorde unbundled its shareholding of HPLR (Hosken Passenger and Rail, the owners of, amongst others, Golden Arrow Bus Services), in the ratio of 2 HPLR shares for every La Concorde share held resulting in RIH receiving 5,5m shares in HPLR.

22. NON-CASH TRANSACTIONS

RAC earned interest income totalling R109 547 (2017: R153 550) on its investment in the RECM Money Market Fund. This interest was re-invested directly into the RECM Money Market Fund and therefore is not included in the statement of cash flows.

Annexure A

Shareholder information

as at 31 March 2018

Beneficial shareholder name	2018		2017	
Ordinary shares	**Number**	**%**	**Number**	**%**
Seneca Investments Proprietary Limited (PG Viljoen)	**2 500 000**	**66,7**	2 500 000	66,7
PG Viljoen	**1**	**–**	1	–
Maximus Investments CC (JC van Niekerk)	**1**	**–**	1	–
TTOW Investments Proprietary Limited (JC van Niekerk)	**1 249 998**	**33,3**	1 249 998	33,3

	2018		2017	
Preference shares	**Number**	**%**	**Number**	**%**
Coronation Capital Plus Fund	**3 443 604**	**7,3**	3 444 586	7,3
SBSA ITF Nedgroup Investments Balanced Fund	**2 314 861**	**4,9**	2 366 254	5,0
SBSA ITF Nedgroup Investment Managed Fund	**2 138 898**	**4,5**	2 180 260	4,6
Theunis de Bruyn	**1 722 328**	**3,6**	1 711 603	3,6
Piet Viljoen	**1 618 827**	**3,4**	1 614 464	3,4
Sentinel Retirement Fund	**1 582 042**	**3,3**	1 599 400	3,4
SBSA ITF RECM Global Flexible Fund	**1 531 477**	**3,2**	2 613 135	5,5
SBSA ITF Nedgroup Investment Stable Fund	**1 500 000**	**3,2**	1 640 000	3,5
TNT Trust (T Rossini)	**1 500 000**	**3,2**	1 500 000	3,2
Allan Gray Equity Fund	**1 360 487**	**2,9**	1 360 487	2,9

Public shareholders analysis	2018		2017	
Security holders analysis	**Number**	**%**	**Number**	**%**
Ordinary shares				
Non-public	**4**	**100,0**	4	100,0
Preference shares				
Public	**980**	**97,6**	747	95,9
Non-public	**24**	**2,4**	32	4,1

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, 25 July 2018, at 11:00 for the purposes of passing, if approved, the following resolutions with or without modification:

Presentation of the Annual Financial Statements

The audited financial statements of the Company for the year ended 31 March 2018, incorporating the reports of the external auditors, the Audit and Risk Committee and the directors, have been distributed and accompany this notice and are accordingly presented to shareholders.

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

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 2019 be determined as follows:

Directors' fees	**Year ended 31 March 2019**
Board member	151 000
Chairman – Audit and Risk Committee	126 000

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

ORDINARY RESOLUTION NUMBER ONE

Reappointment of auditors

"RESOLVED TO appoint Ernst & Young Inc. as the Company's auditor, as nominated by the Company's Audit and Risk Committee and to note that the individual registered auditor who will undertake the audit during the financial year ending 31 March 2019 is Mrs JC de Villiers."

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

ORDINARY RESOLUTION NUMBER TWO

Election of director

"RESOLVED THAT Mr 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 THREE

Election of director

"RESOLVED THAT Mr T de Bruyn 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 a non-executive director of the Company."

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

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

ORDINARY RESOLUTION NUMBER FOUR

Election of Audit and Risk Committee member

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

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

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

ORDINARY RESOLUTION NUMBER FIVE

Election of Audit and Risk Committee member

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

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

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

ORDINARY RESOLUTION NUMBER SIX

Election of Audit and Risk Committee member

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

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

RECORD DATES

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

	2018
Record date to receive the notice of the annual general meeting	Friday, 22 June
Last date to trade to be eligible to participate in and vote at the annual general meeting	Tuesday, 17 July
Record date to be eligible to participate in and vote at the annual general meeting	Friday, 20 July

VOTING AND PROXIES

Voting

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

Electronic participation

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

Proxies

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

A form of proxy is attached for the convenience of certificated shareholders and "own name" dematerialised shareholders of the Company who are unable to attend the annual general meeting, but who wish to be represented thereat. It is requested that duly completed forms of proxy t be received by the Company's Transfer Secretaries, Link Market Services South Africa (Pty) Limited, 13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein, 2004 (PO Box 4844, Johannesburg, 2001) not later than 11:00 on Wednesday , 25 July 2018.

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.

Notice of annual general meeting

continued

(4) Irrespective of the form of instrument used to appoint a proxy –

(a) the appointment is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder;

(b) the appointment is revocable unless the proxy appointment expressly states otherwise; and

(c) if the appointment is revocable, a shareholder may revoke the proxy appointment by: –

(i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and

(ii) delivering a copy of the revocation instrument to the proxy, and to the Company.

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

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

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

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

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

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

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

By Order of the Board

G Simpson
Company Secretary

Cape Town

18 June 2018

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

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

Corporate information

RECM AND CALIBRE LIMITED
(“RAC” or “the Company”)

COUNTRY OF INCORPORATION AND DOMICILE
South Africa

NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES
Investments as principal activities

COMPANY REGISTRATION NUMBER
2009/012403/06

PREFERENCE SHARE CODE
RACP

ISIN
ZAE000145041

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

COMPANY SECRETARY
G Simpson

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

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

POSTAL ADDRESS
PO Box 45040
Claremont
7735

TELEPHONE NUMBER
(021) 657 3440

EMAIL ADDRESS
info@recm.co.za

WEBSITE
www.racltd.co.za

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

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

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

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

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

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

Form of proxy

RECM AND CALIBRE

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, 25 July 2018 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, 25 July 2018 at 11:00 at the Southern Sun Newlands, 7 Main Road, Newlands, Cape Town for the purposes of considering and, if deemed fit, passing with or without modification, the resolutions to be proposed thereat and at each adjournment or postponement thereof, and to vote for and/or against the resolutions and/or abstain from voting in respect of the shares in the issued share capital of the Company registered in my/our name(s) (see note 2).

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

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

Signed at ____________________ on ____________________ 2018

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. It is requested that forms of proxy be lodged with or posted to the Company's Transfer Secretaries to be received by 11:00 on Wednesday, 25 July 2018.

Invitation to Annual Shareholders' meeting with executive directors

RECM AND CALIBRE

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

All registered shareholders are cordially invited to attend the Annual Shareholders' meeting with the executive directors. The meeting will be held immediately following the formal General Meeting at the Southern Sun Newlands, 7 Main Road, Newlands, Cape Town on 25 July 2018 at approximately 11:00.

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

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

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

G Simpson
Company Secretary

NOTICE OF INTENTION TO BE PRESENT AT THE MEETING

I, ______________________________ , being an ordinary/preference shareholder of RECM and Calibre Limited intend being present at the meeting to be held at the Southern Sun Newlands, 7 Main Road, Newlands, Cape Town on Wednesday, 25 July 2018 at approximately 11:00.

Signed: ______________________________

Date: ______________________________

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

Email: ______________________________