RAC

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")

UNAUDITED UNREVIEWED CONDENSED INTERIM FINANCIAL RESULTS

for the six months ended
30 September 2020

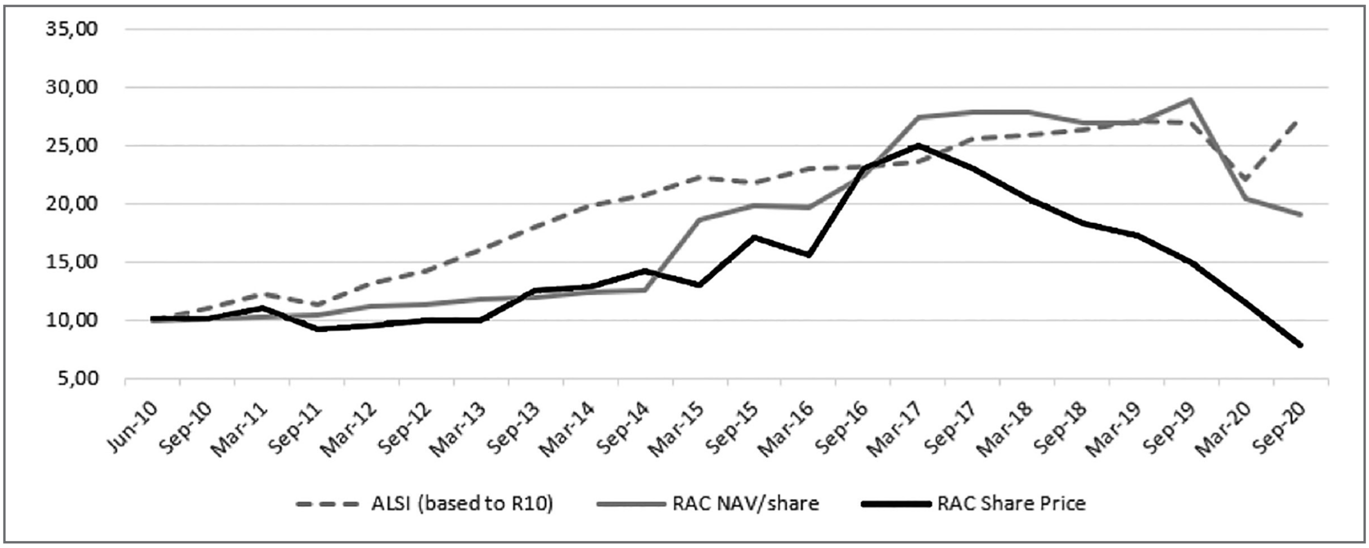
Contents

Letter to shareholders

Dear fellow shareholders

At 30 September 2020, RAC's Net Asset Value ("NAV") per share (both ordinary and participating preference shares) amounted to R19,02. This represents a decrease of 6,4% over the first six months of the financial year, and a decrease of 34,1% compared to the NAV per share at 30 September 2019. The JSE All Share (Total Return) index increased by 24% and 2% over the respective periods.

The following chart illustrates the progression of the RAC share price and NAV per share against the JSE All Share Index. R10 invested in RAC participating preference shares in June 2010 has grown to R19,02 in NAV after all fees and taxes. The same amount invested in the JSE All Share Index would have grown to R27,40 before taking account of any fees and taxes.



GENERAL COMMENTARY

Our last communication with shareholders was on the 19th of August 2020, at our annual meeting with preference shareholders. At the time we shared with you up to date information. Since then, our investee companies have experienced two further months of economic activity under less stringent levels of the national lockdown.

When we applied our judgement on the valuation of our various investments for the year-end results, South Africa had already been placed into lockdown to prevent the spread of the COVID-19 virus. Our valuations reflected this. We have therefore not had to make any material adjustments to our estimates of the enterprise value or the value of the 'franchise' of the various investee companies at the end of this reporting period. We think it is too early to make any upward adjustments. To the extent required, we have only applied downward adjustments. The changes in valuation over the six months mainly reflect the effect which the actual trading experience during the period had on the balance sheet of the various companies. Put differently, we have either decreased our valuations to account for increased liabilities that came about during the ceasing of business activities, or increased our valuations to reflect the increases in cash from profitable businesses.

Our valuation approach remains consistent with prior reporting periods, despite the temptation to try and 'adjust' earnings numbers for COVID-19. Once one crosses that line, there will always be an excuse to adjust.

We accept that our view might contrast with that of the average investor in the JSE. The fact that the All Share Index is trading close to its pre-COVID-19 levels, suggests to us that investors, in aggregate, hold the opinion that the prospects of the average listed company have been largely unaffected by the global lockdown of economic activity for a protracted period. Global stock investors certainly expect fairly positive outcomes, as most major indices currently approach all-time highs.

This might be true, but we would not underestimate the ongoing impact of COVID-19, as evidenced by the introduction of more stringent lockdown levels recently in major economies.

Letter to shareholders

continued

As at 30 September 2020, the make-up of our NAV on a look-through basis consists of:

			Directors fair value * (R'm)		
	% ownership	% total assets	**30 September 2020**	31 March 2020	30 September 2019
Core investments		94,9	**1 165,2**	1 192,0	1 688,6
Goldrush	58,8	64,8	**795,9**	858,1	1 329,4
Outdoor Investment Holdings	33	9,2	**113,0**	79,3	102,7
JB Private Equity Investors Partnership	90	6,5	**79,2**	76,1	85,7
Astoria Investments	100	4,8	**58,8**	66,1	87,9
ISA Carstens	49	3,5	**43,1**	43,7	49,0
Vehicle Care Group	49,9	3,2	**38,8**	32,2	–
Trans Hex	39,5	3,0	**36,5**	36,5	33,9
Portfolio investments		3,3	**41,0**	38,1	41,3
RECM Flexible Value Prescient QI Hedge Fund	N/A	3,3	**41,0**	38,1	41,3
Other investments		1,1	**13,0**	21,1	92,5
Cash and receivables		0,7	**8,2**	43,7	39,2
Total assets			**1 227,5**	1 294,9	1 861,6
CGT and other liabilities			**(4,7)**	(4,9)	(133,0)
Bank funding			**(250,1)**	(250,1)	(251,5)
Net assets			**972,8**	1 039,9	1 477,1
NAV per share ("R")			**19,02**	20,33	28,88

** For an explanation of our valuation philosophy and approach, as well as our approach to fees, expenses and taxes, we refer you to previous shareholders letters, or our last annual report.*

DECREASE IN NAV PER SHARE

The decrease in NAV per share of 6,4% for the six months equates to a reduction in net asset value of R67,1m. The composition of the decrease on a look-through basis is as follows:

	Unaudited Six months ended 30 September 2020 R	Audited Twelve months ended 31 March 2020 R	Unaudited Six months ended 30 September 2019 R
Interest and dividends received	**9 195 950**	44 683 621	12 830 283
Return of capital from Astoria	**–**	722 047 667	452 842 935
Adjustments to fair value of Astoria	**(7 277 488)**	(715 621 703)	(398 947 541)
Adjustments to fair value of assets other than Astoria	**(45 227 347)**	(406 275 072)	84 969 250
Financing expenses	**(10 818 675)**	(43 485 009)	(20 760 849)
Realised (loss)/profits on sale of assets	**(1 586 048)**	(17 870 096)	1 645 777
Investment advisory fees	**(7 252 359)**	(21 975 686)	(10 986 793)
Operating expenses	**(2 952 480)**	(4 612 669)	(2 584 975)
Tax paid	**(1 981 632)**	(3 377 751)	(1 490 273)
Tax reversed/(provided for)	**809 467**	109 368 555	(17 361 993)
Net increase/(decrease) in NAV	**(67 090 612)**	(337 118 143)	100 155 821

CORE INVESTMENTS

Goldrush Group (Pty) Ltd ("Goldrush")

Goldrush operations were completely shut down for the three months of April to June, with the exception of its online gaming division. Operations resumed to various levels of activity from early July. Bingo, LPM route operations and Retail betting properties are currently limited to 50% of available floor space and subject to social distancing rules. Capacity constraints have been felt more severely over weekends, while the early curfew during July and August 2020 also impacted trading hours at the properties.

In July, monthly revenue was 52% of the level in July 2019, and has been rising incrementally every month.

LPM's, retail betting and smaller bingo operations have recovered better than larger bingo operations. Customers appear to prefer smaller venues that generally cater for fewer people. With the economic fall-out of COVID-19, the group is competing for a much reduced consumer base, but is leveraging its smaller gaming venues to create a safe, entertaining and customer-centric experience.

The management team at Goldrush used the period of lockdown to restructure its operational cost base. The team has simplified its administrative and compliance processes and re-organised its management structure.

We are grateful for the tremendous support Goldrush received from landlords, suppliers and its staff in the form of deferred or reduced rentals, payments and salary cuts during the period of complete lockdown. Since trade resumed the business has been applying cashflow towards normalising staff salaries and extinguishing liabilities which arose during the lockdown period. Unfortunately, the uncertainty around future economic prospects and continued curbed gaming activity means that the business has had to reduce staff numbers.

As at our valuation date, Goldrush managed to maintain debt levels at the same level as at financial year-end. Unpaid suppliers and landlords are being brought up to date from current cashflow. Remaining unpaid creditors from the lockdown period of R70m are reflected in our lower valuation.

The value of RAC's investment in Goldrush reduces by 7,2% over the six month period and reflects reduced cash and increase of liabilities. The immediate prospects of the business relies on the further lifting of lockdown regulations in the various bingo properties and sustained national economic activity.

Outdoor Investment Holdings ("OIH")

Safari & Outdoor, Formalito and Inyathi Sporting Supplies, OIH's hunting and sporting retailers, experienced strong demand for their products across both wholesale and retail formats. The business had sufficient stock on hand and management kept tight control of costs over the period, which led to an exceptional result.

The Family Pet Centre turned profitable as a stand-alone entity during this period and is in the process of opening its third store.

We commend the management and staff of OIH for the results achieved over the past six months.

In valuing OIH, we have not yet changed our estimate of the enterprise value of the business as uncertainty remains whether the strong performance post lockdown could be sustained. The 42,4% increase in RAC's valuation of OIH purely reflects the decrease in net liabilities on its balance sheet.

Astoria Investments Ltd ("Astoria")

Astoria's value to RAC is reflected at its Net Asset Value, which was $3,5m at the half-year mark, and consists mostly of cash denominated in US dollars.

CNA Holdings, Astoria's first investment, is in the final stages of extracting itself from the Edcon group and has set up its own head office and distribution centre. An independent ERP system has been installed in all South African stores and supplier relationships have been finalised. As expected, August and September were slow trading months for CNA and the business continues to receive much needed support from landlords and staff. The coming back-to-school season will provide a good indication of the prospects of the business. Astoria's investment in CNA Holdings is valued at its original purchase price.

In August 2020 Astoria entered into an agreement with RAC Investment Holdings (Pty) Ltd, a wholly owned subsidiary of RAC, through which Astoria will purchase RAC's interests in OIH, JB Private Equity, ISA, VCG and TransHex in exchange for Astoria shares. The transaction is subject to several conditions precedent, which are expected to be fulfilled by 30 December 2020.

It remains the RAC Board's intention to distribute at least 90.1% of the Astoria shares it owns to RAC shareholders after the completion of this transaction.

The decrease in the Astoria's value reflects a strengthening of the rand.

Astoria is a 100% subsidiary of RAC, but remains a listed company. Further information can be found at http://www.astoria.mu/

The JB Private Equity Partnership

The only asset held by JB Private Equity Partnership is a 37% stake in Unicorn Capital Partners Limited ("UCP").

On 23 July 2020, UCP's board announced that it had received a firm offer from JSE listed Afrimat Limited ("Afrimat"), to acquire all of UCP's shares it does not already own, by way of a scheme of arrangement. If implemented, UCP shareholders will receive one Afrimat share for every 280 UCP shares held. The JB Private Equity Partnership voted in favour of the transaction at the General Meeting of UCP shareholders held on 9 October and all of the resolutions were passed by the requisite majorities. The transaction is expected to close in the second half of November.

During the period, the Nkomati mine, in which UCP owns a 60% equity interest, was put into business rescue. We therefore further impaired the valuation of RAC's loans to UCP. The increase in our valuation of UCP reflects a combination of an increase in the UCP share price and the impairment of our loan to UCP.

ISA Carstens ("ISA")

ISA managed to maintain their teaching schedule uninterrupted and students will graduate as usual this year. Enrolments for the 2021 academic year remain in line with the comparable period last year. The net growth in student numbers will depend on the extent to which existing students return for next year's studies. Students are experiencing financial pressure and ISA will only have certainty of final student numbers when the enrolment process has been completed in February next year.

ISA provided financial relief to students who did not make use of accommodation facilities during the period. However, pro-active cost control has meant that profitability has not been impacted. The change in valuation for the period reflects the change in the net cash balance.

Trans Hex Group ("TransHex")

TransHex is a holding company with assets comprising mostly cash and loans, as well as a 33% share in Somiluana, an alluvial diamond mine in Angola. TransHex plays an active role in managing the Somiluana mine. RAC owns 39,5% of TransHex.

Mining activity at the Somiluana mine was reduced in response to lower diamond prices during the pandemic. The opportunity was used to reduce the mine's cost base. Recently, diamond prices have started to recover and Somiluana is slowly starting to ramp up production. Due to its strong balance sheet, the mine needed no outside capital.

TransHex has started a diamond marketing operation, which also buys goods from other producers in Angola, in order to sell these goods in South Africa. Because of renewed lockdowns in Europe, the mining and selling operations are managed cautiously.

TransHex's relationship with the Angolan government is good. It is becoming somewhat easier to repatriate dollars from Angola. Somiluana is financially robust, and able to pay dividends and continue with repayments on its loan from TransHex.

We value TransHex at its take out valuation of November last year of R1 per share, which approximates the current Net Asset Value of the business.

Vehicle Care Group ("VCG")

VCG operates primarily in the second hand car industry, providing financing to dealers (VCG Invest), arranging finance and insurance for dealers' clients (VCG Finsure), selling warranty and service plans to the public (VCG Protect) and leasing of commuter vehicles on long term rental agreements to the public (VCG Flexidrive).

VCG found trading in the period under review tough. Activity in the motor vehicle industry only picked up recently. New car sales have dropped off, which means that the source of new stock for the second hand car industry has shrunk. It is difficult for dealers to find the appropriate stock. Service levels of the vehicle registration departments have dropped off, which has further curbed activity in the second hand vehicle market. Dealers are understandably cautious when using third party funding for their working capital.

VCG has managed their loan book through the period without incurring any bad debts. A reduction of 20% in the loan book was the consequence of clients repaying loans on a net basis. Activity in the finance and insurance part of the business improved gradually over the period.

The increase in the value of RAC's investment in VCG reflects an investment by RAC to fund the bolt-on acquisition of an underwriting managing agency in VCG Protect.

PORTFOLIO INVESTMENTS

RECM Flexible Value Fund

Our investment in the RECM Flexible Value Fund gained 7,6% during the period under review. The fund's benchmark, the JSE All Share Index, gained 24%.

The portfolio benefited primarily from owning a number of cheap, illiquid stocks in South Africa, from its credit investments and from a timeous reduction in the short portfolio.

A fact sheet on this fund can be found at: https://www.recm.co.za/MinimumDisclosureDocuments

Balance Sheet

As at September, we have outstanding debt of R250,1m in the form of preference shares issued to ABSA by RAC Investment Holdings, and we have cash of R8,2m. In the group we also still have the $3,5m of cash held by Astoria.

The ABSA preference shares redemption date has been extended from 30 October 2020 to 29 October 2021, whilst the dividend rate has been renegotiated down from 115% of prime to 100% of prime.

This leaves us with sufficient capacity to fund the growth of our existing investee companies. However, given the current discount at which our own participating preference shares trade relative to our NAV, the hurdle for any new investment is extremely high.

Signed on behalf of the board

Piet Viljoen **Jan van Niekerk**

Cape Town
29 October 2020

Statement of financial position

	Notes	**Unaudited 30 September 2020 R**	Audited 31 March 2020 R	Unaudited 30 September 2019 R
ASSETS				
Non–current assets		**972 309 571**	1 039 940 624	1 476 343 888
Investments	2	**972 309 571**	1 039 940 624	1 476 343 888
Current assets		**958 707**	831 671	1 513 574
Investments	2	**949 806**	810 323	1 507 064
Cash and cash equivalents		**8 901**	21 348	6 510
Total assets		**973 268 278**	1 040 772 295	1 477 857 462
EQUITY AND LIABILITIES				
Equity				
Share capital – ordinary shareholders	4	**18 206 250**	18 206 250	18 206 250
Share capital – preference shareholders	4	**506 296 000**	506 296 000	506 296 000
Retained income		**448 251 748**	515 342 363	952 616 327
Total equity		**972 753 998**	1 039 844 613	1 477 118 577
Current liabilities		**514 280**	927 682	738 885
Trade and other payables		**510 862**	926 662	735 437
Current tax payable		**3 418**	1 020	3 448
Total equity and liabilities		**973 268 278**	1 040 772 295	1 477 857 462
Net asset value				
Net asset value attributable to ordinary shareholders		**71 316 276**	76 234 942	108 293 151
Net asset value attributable to preference shareholders		**901 437 722**	963 609 671	1 368 825 426
Net asset value per ordinary share (cents)	6	**1 902**	2 033	2 888
Net asset value per preference share (cents)	6	**1 902**	2 033	2 888

Statement of comprehensive income

	Notes	**Unaudited Six months ended 30 September 2020 R**	Audited Twelve months ended 31 March 2020 R	Unaudited Six months ended 30 September 2019 R
Income		**1 509 507**	1 572 101	1 533 668
Operating expenses		**(966 671)**	(1 757 096)	(858 806)
Operating profit/(loss)		**542 836**	(184 995)	674 862
Fair value gains/(losses) on subsidiary		**(67 631 053)**	(336 913 124)	99 490 140
Profit/(loss) before taxation		**(67 088 217)**	(337 098 119)	100 165 002
Taxation	5	**(2 398)**	(20 024)	(9 181)
Profit/(loss) after taxation		**(67 090 615)**	(337 118 143)	100 155 821
Other comprehensive income for the period net of taxation		**–**	–	–
Total comprehensive income/(loss)		**(67 090 615)**	(337 118 143)	100 155 821
Earnings per share				
Per share information (ordinary and preference)				
Basic and diluted earnings per share (cents)	7	**(131)**	(659)	196

Statement of changes in equity

	Preference share capital R	Ordinary share capital R	Retained income R	Total shareholders' equity R
Balance 31 March 2019	18 206 250	506 296 000	852 460 506	1 376 962 756
Profit	–	–	100 155 821	100 155 821
Other comprehensive income	–	–	–	–
Balance 30 September 2019	18 206 250	506 296 000	952 616 327	1 477 118 577
Loss	–	–	(437 273 964)	(437 273 964)
Other comprehensive income	–	–	–	–
Balance 31 March 2020	**18 206 250**	**506 296 000**	**515 342 363**	**1 039 844 613**
Loss	**–**	**–**	**(67 090 615)**	**(67 090 615)**
Other comprehensive income	**–**	**–**	**–**	**–**
Balance 30 September 2020	**18 206 250**	**506 296 000**	**448 251 748**	**972 753 998**
Note	4	4		

Statement of cash flows

	Unaudited Six months ended 30 September 2020 R	Audited Twelve months ended 31 March 2020 R	Unaudited Six months ended 30 September 2019 R
Cash flows from operating activities			
Cash utilised in operations	**(1 382 471)**	(1 709 871)	(1 002 806)
Interest income	**24**	436	262
Dividends received	**1 500 000**	–	–
Tax paid	**–**	(21 434)	(8 163)
Net cash inflow/(outflow) from operating activities	**117 553**	(1 730 869)	(1 010 707)
Cash flows from investing activities			
Sale of investments	**850 000**	1 731 000	996 000
Purchase of investments	**(980 000)**	–	–
Net cash (outflow)/inflow from investing activities	**(130 000)**	1 731 000	996 000
Total cash movement for the period	**(12 447)**	131	(14 707)
Cash at beginning of period	**21 348**	21 217	21 217
Total cash and cash equivalents at end of period	**8 901**	21 348	6 510

Notes to the condensed interim results

for the period ended 30 September 2020

GROUP STRUCTURE

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 fully owned subsidiaries incorporated in South Africa, being RAC Investment Holdings (Pty) Ltd ("RIH") and Livingstone Investments (Pty) Ltd ("Livingstone"), or directly.

Given that the majority of investments are held through RIH, RAC has provided the fair value disclosure in two parts in note 2. Notes 2.1 and 2.3 disclose the investment in RIH as required by IFRS and notes 2.2 and 2.4 provide additional disclosures that the directors deem useful by looking through RIH and RIH's wholly owned subsidiary, Livingstone, to the underlying investments. All fair value movements on the investment in RIH are recognised in profit or loss.

1. ACCOUNTING POLICIES – PRESENTATION OF CONDENSED INTERIM FINANCIAL STATEMENTS

Basis of accounting preparation

The accounting policies applied for the six months are consistent, in all material respects, with those used in the Annual Financial Statements for the year ended 31 March 2020. The accounting policies continue to be in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council. In addition, these interim results have been prepared in accordance with the presentation and disclosure requirements of International Accounting Standard 34, Interim Financial Reporting, as well as the Listings Requirements of the JSE and the Companies Act of South Africa.

The interim results have been prepared in accordance with the IFRS and IFRIC interpretations at the time of the preparation of the information. As these standards and interpretations are the subject of ongoing review, they may be amended between the date of this report and the finalisation of the annual financial statements for the year ending 31 March 2021.

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 through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- an entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- an entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- an entity that measures and evaluates the performance of substantially all of its investments on a fair value basis (refer to note 2 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.

Segmental analysis

The directors considered the implications of IFRS 8 *Operating Segments* and are of the opinion that the operations of the Company are substantially similar and that the risks and returns of these operations are likewise similar. Resource allocation and the management of the operations are performed on an aggregated basis, and as such the Company is considered to be a single aggregated business and therefore there is no additional reporting requirements in terms of IFRS 8.

	Unaudited Six months ended 30 September 2020 R	Audited Twelve months ended 31 March 2020 R	Unaudited Six months ended 30 September 2019 R
2. INVESTMENTS			
Fair value hierarchy of financial assets			
Level 2			
Class 4 – Money market fund	**949 806**	810 323	1 507 064
	949 806	810 323	1 507 064
Level 3			
Class 5 – Unlisted shares – Unquoted – fair value through profit or loss	**972 309 571**	1 039 940 624	1 476 343 888
	972 309 571	1 039 940 624	1 476 343 888
Total financial assets at fair value	**973 259 377**	1 040 750 947	1 477 850 952
Non-current assets – fair value through profit or loss	**972 309 571**	1 039 940 624	1 476 343 888
Current assets – fair value through profit or loss	**949 806**	810 323	1 507 064
Total investments	**973 259 377**	1 040 750 947	1 477 850 952
Available cash			
Cash is held both directly and indirectly on call, along with indirectly through a money market unit trust investment.			
Level 3 reconciliation			
Opening balance	**1 039 940 624**	1 376 853 748	1 376 853 748
Acquisitions (including capital contribution in current period to RIH)	**–**	–	–
Gains/(losses) on investments recognised in profit and loss	**(67 631 053)**	(336 913 124)	99 490 140
Closing balance	**972 309 571**	1 039 940 624	1 476 343 888

2. INVESTMENTS (continued)

Level 1

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

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 financial assets are valued using a number of valuation techniques based on the following unobservable market data for each investment:

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

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

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

In terms of IFRS, RAC is an Investment Entity, and therefore no consolidated results are 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 provided the following disclosures looking through the 100% held subsidiaries, RIH, Livingstone and Astoria, to the underlying investments. In addition, a summary of the NAV of RIH as well as the underlying valuation techniques and sensitivities have been provided.

2. INVESTMENTS (continued)

	Unaudited Six months ended 30 September 2020 R	Audited Twelve months ended 31 March 2020 R	Unaudited Six months ended 30 September 2019 R
Fair value hierarchy of financial assets held by RAC Investment Holdings (Pty) Ltd, Livingstone Investments (Pty) Ltd and Astoria Investments Ltd			
Level 1			
Class 1 – Listed shares – Quoted	**7 715 112**	8 302 500	138 916 934
	7 715 112	8 302 500	138 916 934
Level 2			
Class 3 – Hedge Fund	**40 996 698**	38 089 199	41 300 606
Class 4 – Money market fund	**4 535 729**	39 609 729	34 791 759
Class 6 – Unlisted shares – last traded price – fair value through profit or loss	**36 474 981**	36 474 981	–
	82 007 408	114 173 909	76 092 365
Level 3			
Class 5 – Unlisted shares – Unquoted – fair value through profit or loss	**989 534 211**	1 022 528 388	1 558 261 560
	989 534 211	1 022 528 388	1 558 261 560
Total financial assets at fair value	**1 079 256 731**	1 145 004 797	1 773 270 859
Non-current assets	**836 864 767**	39 609 729	1 738 479 100
Current assets	**242 391 964**	1 105 395 068	34 791 759
Total investments	**1 079 256 731**	1 145 004 797	1 773 270 859
Summary of net asset value of RIH, Livingstone and Astoria			
Total investments from above	**1 079 256 731**	1 145 004 797	1 773 270 859
Loans and receivables	**88 525 906**	81 625 260	86 770 730
Cash and cash equivalents	**61 196 823**	69 905 533	2 671 443
Deferred tax	**–**	(809 467)	(127 548 204)
Loans and payables	**(6 612 730)**	(5 712 804)	(7 319 911)
Preference shares issued to Absa	**(250 057 159)**	(250 072 695)	(251 501 029)
Net asset value of RIH, Livingstone and Astoria	**972 309 571**	1 039 940 624	1 476 343 888

2. INVESTMENTS (continued)

Description of significant unobservable inputs and their sensitivities

30 September 2020

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

	Valuation technique	Fair value Rm	Significant unobservable inputs	Input value	Sensitivity
RAC Investment Holdings ("RIH")	NAV	972,3	Earnings and multiple of the underlying investments (refer to the breakdown below)	N/A	A change in the multiple of the underlying investment by 1 would result in an increase or decrease in fair value of approximately R157,6m.

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

Outdoor Investment Holdings	Multiple	112,9	PBIT	6	A change in multiple by 1 would result in a change in fair value of approximately R22,3m.
Goldrush Group	Multiple	795,9	Sustainable EBITDA	7	A change in the EBITDA multiple by 1 would result in an increase or decrease in fair value of approximately R167m.
JB Private Equity Investors Partnership	NAV	54,9	N/A	N/A	The NAV of the JB Private Equity Investors Partnership is directly linked to the underlying investment in Unicorn Capital 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 Unicorn Capital share price would have a R5,5m impact on the Partnership NAV.
ISA Carstens (excluding non equity investments)	Multiple	25,8	PAT	6	A change in multiple up or down by 1 would result in a change in fair value of approximately R0,9m.
	Capitalisation rate		Rent received	8,5% – 9,5%	An increase in the capitalisation rate by 1% would result in a decrease in fair value of approximately R6m whereas a decrease in the capitalisation rate by 1% would result in an increase in fair value of approximately R7,5m.
Other level 3 investments		–			
Total		**989,5**			

2. INVESTMENTS (continued)

31 March 2020

2.2 Description of significant unobservable inputs and sensitivities of investments held by RAC (level 3 investment)

	Valuation technique	Fair value Rm	Significant unobservable inputs	Input value	Sensitivity
RAC Investment Holdings ("RIH")	NAV	1 039,9	Earnings and multiple of the underlying investments (refer to detail below)	N/A	A change in the valuation techniques as documented below would result in an increase in fair value of approximately R203,4m or a decrease in fair value of approximately R201,9m.

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

Outdoor Investment Holdings	Multiple	79,3	PBIT	6	A change in multiple by 1 would result in an change in fair value of approximately R22,3m.
Goldrush Group	Multiple	858,1	Sustainable EBITDA	7	An increase or decrease in the EBITDA multiple by 1 would result in a change in fair value of approximately R167,1m.
JB Private Equity Investors Partnership	NAV	47,1	N/A	N/A	The NAV of the JB Private Equity Investors Partnership is directly linked to the underlying investment in Unicorn Capital Partners Limited (which is listed on the JSE) and it is not currently significantly impacted by any fair value adjustment to trade and other payables and therefore NAV of the JB Private Equity Investors Partnership is considered to be fair value. A 10% upward or downward movement in the Unicorn Capital Partners share price would have a R4,7m impact on the Partnership NAV.
ISA Carstens (excluding non equity investments)	Multiple	28,6	PAT	6	A change in multiple up or down by 1 would result in a change in fair value of approximately R0,9m.
	Capitalisation rate		Rent received	8,5% – 9,5%	An increase in the capitalisation rate by 1% would result in a decrease in fair value of approximately R6m whereas a decrease in the capitalisation rate by 1% would result in an increase in fair value of approximately R7,5m.
IASeminars SA	Multiple	9,1	Sales	0,4	A change in multiple by 10% would result in a change in fair value of approximately R0,9m.
Other level 3 investments		0,3			
Total		**1 022,5**			

Factors that were considered in all valuations include the current market conditions, the invested market segment, and any interest rate uncertainty. The nature of fair value calculations being somewhat subjective and sensitive to direct and indirect quantifiable inputs means that there is a range of reasonably possible alternative outcomes for the fair values of these investments. 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. For COVID-19-related commentary in relation to the investees, please refer to the letter to shareholders.

2. INVESTMENTS (continued)

Goldrush

Like many other businesses in South Africa, Goldrush's operations were severely interrupted by the national COVID-19 lockdown restrictions in the first half of the financial year. It is however our assessment that our franchise has not been permanently impaired in the process. We therefore leave the enterprise value as at 30 September 2020 unchanged from what we calculated at 31 March 2020 *. During the period, Goldrush accrued additional liabilities as the company was not able to service all of its obligations. In our valuation at 30 September 2020 we therefore utilise the actual statement of financial position amounts as at 31 August 2020 to calculate the equity value for our interim results, which reflects the increased liabilities. The equity value of Goldrush therefore reduces by 7,2% over the period. We believe this is the most objective manner in which to value the business given the impact of COVID-19 on the economic environment.

** In valuing Goldrush for the period since initial investment up until 31 March 2019, sustainable EBITDAR (Earnings Before Interest, Tax Depreciation, Amortisation and machine Rentals) was used as the yardstick with which to measure the progress of the business. A multiple of 7 was applied to this yardstick to get to the enterprise value of Goldrush. The multiple of 7 anticipated some years of accelerated growth in earnings resulting from the nearly complete capital investment plan in both the bingo and LPM divisions.*

In calculating sustainable EBITDAR, the costs incurred when opening new sites and the start-up operating losses of bingo properties were consistently added back each year. As from 1 April 2019, the valuation method was amended to reflect the maturing of the business. Rentals are now included in the earnings calculation and RAC adopted sustainable EBITDA, rather than sustainable EBITDAR, as the yardstick.

The enterprise value calculated at 7 times sustainable EBITDAR as at 31 March 2019, provided the same value as when a 9 times multiple was applied to sustainable EBITDA. Accordingly, Goldrush was valued at 9 times sustainable EBITDA at 30 September 2019. This multiple still reflected our view of accelerated growth at Goldrush because of the prior capital expenditure rolling out the bingo and LPM divisions.

For the 31 March 2020 valuation, because of the COVID-19 uncertainty, we removed any immediately anticipated growth expectation and valued Goldrush on 7 times sustainable EBITDA.

The chosen multiple of 7 times is:

- *lower than the 25-year average EBITDA multiples of comparable listed South African gaming operators, which range between 7,2 and 9,2; and*
- *lower than the EBITDA multiples at which true arms-length transactions in the gaming industry happened in the past few years, mostly being around 8 times EBITDA.*

Outdoor Investment Holdings

During the six months, OIH experienced favorable trading conditions, particularly as lockdown regulations were lifted. This meant that the group was able to repay a portion of its debt during the period. Given the material economic uncertainties which remain, we continue to value OIH on a multiple of 6 x PBIT (profit before interest and tax) as we have done for the last 3 years. Like we have done for Goldrush, we have utilised the same enterprise value for OIH as at 30 September 2020 as we had used for the 31 March 2020 valuation and then made statement of financial position adjustments to this based as at 31 August 2020. Given the reduction in debt between 31 March 2020 and 30 September 2020, there has been an increase of 42,4% in the valuation of the group.

Given the specialist nature of OIH and there not being much reliable comparative data for such a business in South Africa, our multiple is based on our best estimate of the long-term growth prospects of the business taking into account the overall economy and ALSI. It takes into account that part of the business which has matured (Safari and Outdoor) with less opportunity to outperform the general economy as well as the potential for the likes of the Family Pet Centre to experience faster growth as their levels of customers grow from a relatively small base.

2. INVESTMENTS (continued)

ISA Carstens

The two main valuation drivers of the ISA Carstens Group are the Education Services it provides as well as the properties that it owns. For the valuation of the properties, independent specialist property valuers were appointed to determine the values of the properties as at 31 March 2020. The capitalisation rates used for the valuation of the properties of between 8,5% and 9,5% are well within the industry rates and therefore we felt no need to make any change to the values of properties as determined by the specialists. Given the recent completion of the valuations and the undeterminable impact COVID-19 will have the property sector in the long-term, we continue to hold the properties at the same values as at 31 March 2020 as we believe these to be the most appropriate valuations at present.

We have deducted the actual value of the mortgages as at 31 August 2020 off against the value of the properties. For the valuation of the Education Services, we applied a multiple of 6 to the same PAT (profit after tax) as at 31 March 2020 valuation. We have therefore kept the enterprise value the same as we have done for Goldrush and OIH. The value of ISA Carstens therefore decreased by 2% over the period.

3. RELATED PARTY TRANSACTIONS

There were no significant changes to related parties or related party transactions since the year ended 31 March 2020, except for the transaction that has been entered into between RAC Investment Holdings (Pty) Ltd ("RIH") and Astoria Investments Ltd ("Astoria") as announced on SENS on 28 August 2020, whereby Astoria will purchase the Investment Portfolio and the Partnership Interest from RIH in exchange for it issuing 83 and 17 shares to RIH respectively as consideration for the investments purchased. The finalisation of the transaction is subject to a number of conditions precedent in terms of the agreement as well as regulatory approvals which are expected to all be obtained by 31 December 2020.

Investment Portfolio

Outdoor Investment Holdings (Pty) Ltd

ISA Carstens Holdings SA (Pty) Ltd

Trans Hex (Pty) Ltd

Asset Lending (Pty) Ltd

Vehicle Care Group (Pty) Ltd

Astoria Treasury (Pty) Ltd

Partnership Interest

JB Private Equity Investors Partnership

		Unaudited Six months ended 30 September 2020 R	Audited Twelve months ended 31 March 2020 R	Unaudited Six months ended 30 September 2019 R
4.	**SHARE CAPITAL**			
	Authorised			
	5 000 000 Ordinary shares of R0,01 each	**50 000**	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	**–**	–	–
	1 500 000 000 perpetual preference shares of no par value	**–**	–	–
		50 000	50 000	50 000

The 250 000 000 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.

The 1 500 000 000 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.

	Unaudited Six months ended 30 September 2020 R	Audited Twelve months ended 31 March 2020 R	Unaudited Six months ended 30 September 2019 R
Issued			
3 750 000 Ordinary shares of R0,01 each	**37 500**	37 500	37 500
Share premium	**18 168 750**	18 168 750	18 168 750
	18 206 250	18 206 250	18 206 250
47 400 000 non-cumulative redeemable participating preference shares	**506 296 000**	506 296 000	506 296 000
	506 296 000	506 296 000	506 296 000

5. CURRENT AND DEFERRED TAXATION

	Unaudited Six months ended 30 September 2020 R	Audited Twelve months ended 31 March 2020 R	Unaudited Six months ended 30 September 2019 R
Taxation expense			
Current taxation	**(2 398)**	(20 024)	(9 181)
Taxation expense	**(2 398)**	(20 024)	(9 181)

Given that RIH is a 100% held subsidiary of RAC, RAC is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future, the requirements in terms of IAS 12 for the exemption to recognise a deferred tax liability on the investment in RIH have been met. Temporary differences not recognised in terms of IAS 12 amount to R83 668 525 (March 2020: R151 299 578, September 2019: R587 702 842). Deferred tax has been recognised in RIH on the investments that it expects to incur taxes on when realising their value.

6. NET ASSET VALUE

	Unaudited Six months ended 30 September 2020 R	Audited Twelve months ended 31 March 2020 R	Unaudited Six months ended 30 September 2019 R
Net asset value attributable to ordinary shareholders	**71 316 276**	76 234 942	108 293 151
Net asset value attributable to preference shareholders	**901 437 722**	963 609 671	1 368 825 426
Number of shares in issue			
Ordinary shares	**3 750 000**	3 750 000	3 750 000
Preferences shares	**47 400 000**	47 400 000	47 400 000
Net asset value per ordinary share (cents)	**1 902**	2 033	2 888
Net asset value per preference share (cents)	**1 902**	2 033	2 888

7. EARNINGS AND HEADLINE EARNINGS PER SHARE

Earnings and headline earnings per share are based on the profit attributable to ordinary and preference shareholders in issue during the year.

	Unaudited Six months ended 30 September 2020 R	Audited Twelve months ended 31 March 2020 R	Unaudited Six months ended 30 September 2019 R
Number of shares in issue			
Ordinary shares	**3 750 000**	3 750 000	3 750 000
Preferences shares	**47 400 000**	47 400 000	47 400 000
Total weighted average number of shares	**51 150 000**	51 150 000	51 150 000
Earnings			
Net profit/(loss) after tax	**(67 090 615)**	(337 118 143)	100 155 821
Headline earnings	**(67 090 615)**	(337 118 143)	100 155 821
Basic and diluted earnings per ordinary and preference share (cents)	**(131)**	(659)	196
Basic and diluted headline earnings per ordinary and preference share (cents)	**(131)**	(659)	196

The Company has no dilutive instruments in issue as at 30 September 2020.

8. EVENTS AFTER THE REPORTING PERIOD

The directors are not aware of any matter or circumstance arising since the end of the reporting period that needs to be disclosed in the interim results.

9. DIVIDENDS

No dividend has been declared.

10. GUARANTEE, CESSION AND PLEDGE

As at 30 September 2020, RIH has issued 250 preference shares (March 2020: 250; September 2019: 250) for R1 000 000 each to Absa Bank Limited ("Absa"). 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 were originally redeemable on 30 October 2020. The repayment date of the preference shares has been extended to 29 October 2021 and the dividend rate was reduced to 100% of prime as from 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 R20,5m (March 2020: R265m; September 2019: R31m) within 1 year and R251,7m (March 2020: RNIL; September 2019: R252,4m) within 2 years.
- RIH pledged its shares held in Goldrush to Absa, therefore if the preference shares were to become due and payable this could necessitate the full or partial sale of the Goldrush investment.

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.

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

In addition to the above, the following security provided by Livingstone, a wholly owned subsidiary of RIH, remains in place whilst the preference shares issued by RIH to Absa are outstanding:

- 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.

As at 30 September 2020, the value of RAC's pledged shares in RIH as well as RIH's pledged shares in Goldrush along with the pledged shares in Astoria exceed 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.